



Audit and Standards Committee

Wednesday, 23 October 2019 at 6.00 pm

Room 6, Capswood, Oxford Road, Denham

A G E N D A

Item

1. Evacuation Procedure
2. Apologies for Absence
3. Minutes (*Pages 5 - 10*)

To approve the minutes of the Audit and Standards Committee held on 10 July 2019.
4. Declarations of Interest
5. Annual Review of Code of Conduct and Complaints Procedure (*Pages 11 - 14*)

Appendix 1 (Pages 15 - 22)

Appendix 2 (Pages 23 - 32)
6. Committee on Standards in Public Life Annual Report (*Pages 33 - 36*)

Appendix - Annual Report 18/19 (Pages 37 - 54)
7. Standards Work Programme (*Pages 55 - 56*)

To agree the Standards work programme.

8. Annual Fraud Report 2018/19 (*Pages 57 - 62*)
9. Internal Audit Comparison Report - 23 October 2019 (*Pages 63 - 72*)
10. Internal Audit Progress Report - 23 October 2019 (*Pages 73 - 84*)
11. 2018/19 Statement of Accounts (*Pages 85 - 92*)
Appendix (Pages 93 - 176)
12. Ernst and Young 2018/19 Accounts audit report (*Pages 177 - 218*)
13. Audit Committee Work Programme (*Pages 219 - 220*)
14. Exclusion of the Public (if required)

That under Section 100A(4) of the Local Government Act 1974 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act

Note: All reports will be updated orally at the meeting if appropriate and may be supplemented by additional reports at the Chairman's discretion.

Membership: Audit and Standards Committee

Councillors: D Anthony (Chairman)
G Hollis (Vice-Chairman)
P Griffin
L Hazell
P Hogan
R Sangster

T Dobson, Independent Person
G Hopkins, Independent Person

Date of next meeting – Tuesday, 14 January 2020

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AUDIT AND STANDARDS COMMITTEE**Meeting - 10 July 2019**

Present: G Hollis and P Hogan

Apologies for absence: D Anthony and R Sangster

3. MINUTES

The minutes of the Audit and Standards Committee held on 9 April and 14 May 2019 were approved and signed by the Chairman as a correct record.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. CODE OF CONDUCT AND COMPLAINTS PROCEDURE FOR BUCKINGHAMSHIRE COUNCIL AS A SHADOW AUTHORITY

The Committee received a report about the standards arrangements in place for Members during the Shadow Authority period for Buckinghamshire Council. The Monitoring Officer reported that the Buckinghamshire (Structural Changes) Order 2019 provided that Part 7 of the Localism Act 2011 which dealt with standards applied in relation to the Shadow Authority, as if it were a district council. The Shadow Authority was therefore required to promote and maintain high standards of conduct and to adopt a code dealing with the conduct that was expected of its Members when they were acting in that capacity. The South Bucks District Council code would still apply to District Council matters until April 2020 when the Shadow Authority code would apply until a new code was adopted by the new Buckinghamshire Council after the elections in May 2020.

Members noted that the code contained 7 general obligations (Nolan) as to Member conduct and the statutory requirement to disclose pecuniary interests was included but a lighter touch was adopted in relation to the disclosure of other personal and prejudicial interests, which reflected the fact that the Shadow Authority had no regulatory functions.

RESOLVED that the report be noted.

6. CODE OF CONDUCT COMPLAINTS MONITORING REPORT 2018/19

The Committee received a report about complaints received by the Monitoring Officer during the financial year 2018/19 claiming that Members had breached the code of conduct.

Audit and Standards Committee - 10 July 2019

The Monitoring Officer reported that historically the overall number of formal complaints about councillors in South Bucks District had been low. However, over the last two financial years there had been an increasing number of complaints about SBDC councillors. The complaints about town/parish councillors (which in 2017/18 related to a particular planning application) had reduced slightly in the last year. In 2018/19 there were six complaints against South Bucks District (compared to four last year) and four against Town and Parishes (compared to 5 last year). Members noted that 5 of the complaints about SBDC councillors in 2018/19 related in some way to the Council's proposed development of the car park in Station Road, Gerrards Cross. Four of the complaints were assessed at Stage 1 as disclosing no potential breach of the Code and one was determined as requiring no further action at Stage 2. With regard to complaints against town/parish councillors, 3 related to one parish council and were being assessed at Stage 2. One complaint was dealt with at Stage 1.

In relation to one particular complaint the Deputy Monitoring Officer identified a need to consider clarifying the circumstances when a District Councillor had a prejudicial interest under Paragraph 8 of the Code. Part 8 of the Code could be ambiguous in that it referred to decisions and actions taken by the Policy Advisory Groups (PAGs). However, PAGs were not decision making bodies and it was recommended that reference to PAGs in paragraph 8 was removed.

A Member asked if there was any conflict of interest between sitting on the PAG and being a Member of Overview and Scrutiny Committee (OSC). The Monitoring Officer reported that there was no conflict of interest and that the constitution (Protocol for the operation of PAGs) stated that to strengthen the relationship between the PAGs and the OSC each PAG would include at least one Member from the OSC.

RECOMMENDED that paragraph 8 of the Code of Conduct be amended to remove the reference to Policy Advisory Groups.

7. STANDARDS WORK PROGRAMME

The Committee received the Standards Work Programme.

RESOLVED that the Standards Work Programme be agreed.

8. FOLLOW UP REVIEW OF 2018/19 INTERNAL AUDIT RECOMMENDATIONS

The Committee received the follow up review of 2018/19 Internal Audit recommendations. The Internal Auditor reported that for the 22 recommendations that have been confirmed as implemented, no further action was necessary. In relation to the two recommendations classified as outstanding, both related to recommendations which had not yet reached their implementation date and they would continue to be periodically monitored.

RESOLVED that the report be noted.

9. INTERNAL AUDIT PROGRESS REPORT 2019/20

The Committee received the Internal Audit Progress Report 2019/20. The Internal Auditor reported that Appendix A showed the progress that had been made and identified those Audits which were still in draft and those that had been finalised. Appendix B shows progress against the Annual Plan for 19/20 and that a good start had been made with audits expected to be completed by end of December 2019. Appendix C showed Priority 1 and 2 recommendations. There was one report relating to procurement where inconsistencies had been highlighted in the approach with framework agreements. The recommendation was to develop guidance relating to the use of frameworks however, this was unlikely to be a priority to address due to the move to the new Buckinghamshire Council. Also, any work outstanding would be transitioned over to the new Buckinghamshire Council.

A Member referred to contracts under signature and whether they would be able to be completed because of the transition to the new Buckinghamshire Council. Contacts under seal have a longer indemnity period. The Internal Auditor reported that he would investigate this and provide a written response to Members.

RESOLVED that the report be noted.

10. EY ANNUAL ASSURANCE LETTER

The Committee received a report on the response to the External Auditor's request for information on how the Audit and Standards Committee gained assurance from Management. As part of this they formally requested that the Section 151 Officer, the Monitoring Officer and the Chairman of the Audit and Standards Committee provide written responses to various questions about the Council's management process.

The Head of Finance reported that from April 2020 the existing functions of the Council would still continue and the new Buckinghamshire Council would adopt these as a going concern for accounting purposes.

Members noted that the Chairman of the Audit and Standards Committee would sign the formal response.

RESOLVED that the proposed response to the External Auditor's letter, requesting information on how the Audit and Standards Committee gained assurance from Management be agreed.

11. EY ANNUAL AUDIT FEE LETTER 19/20

The Committee received the External Auditors Annual Audit Fee Letter 19/20. The External Auditor reported that for this financial year, the Public Sector Audit Appointments (PSAA) had set the scale fee for each opted in body and following

consultation on its Work Programme and Scale of Fees, PSAA had maintained scale audit fees at the same level as for 2018/19.

RESOLVED that the report be noted.

12. APPROVAL OF DRAFT ACCOUNTS

The Committee received the draft 2018/19 Statement of Accounts for Members to review. Each year the Authority was required to produce a formal Statement of Accounts document in accordance with the Accounts and Audit Regulations.

The Head of Finance reported that the key movements in the Council's usable reserves were as follows:-

- The General Fund Balance increased by £793,000 to £3,193,000 which was mainly due to adjustments relating to retained income from Non-Domestic Rates.
- Earmarked reserves decreased by £3, 639,000 to £1,602,000 which was mainly due to use of reserves to finance capital expenditure.
- The Authority's Capital Receipts reserve were fully utilised in 18/19 which was due to receipts of £359,000 being used to fund the capital investment programme.

In terms of the Council's unusable reserves the Pensions deficit decreased by £1,851,000 and the accumulated estimated Pension deficit now stood at £28,378,000. The Head of Finance reported that the liability with regard to the Pension Fund would be higher (0.6%) than estimated due to a recent legal case (the McCloud case).

The Head of Finance informed Members that this was the first year that Consilio was part of the SBDC Group accounts as a Travelodge had been purchased by Consilio. The new Buckinghamshire Council would need to decide whether it would still wish to support Consilio and if so how to fund the company.

A Member referred to the Local Development Fund on page 140 of the agenda and to the balance at the end of March 2019 of £377,000 and the Section 106 Housing reserve at £1 million. The Head of Finance reported that Section 106 monies had a prescribed usage. In terms of the new Buckinghamshire Council a decision would need to be taken whether this money would be used for South Bucks District only or for the whole Council area. There was also the Community Infrastructure Levy to consider.

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RESOLVED that the draft accounts be noted.

13. **RESCHEDULING OF EXTERNAL AUDIT OF ACCOUNTS**

The Committee received the letter from the Public Sector Audit Appointments on the need to reschedule the external audit because of high levels of attrition and difficulties in recruiting staff who would deliver audits that met the required quality standard. The deadline for Member approval and final publishing was not later than 31 July 2019 unless the external audit had not been concluded. The Head of Finance reported that the External Auditors were not able to complete the audit until end of September 2019. This was very regrettable given the efforts the Council had made to produce its draft accounts by the required deadline. The Accounts could still be published with no audit opinion. The Council had expressed its concern to the body responsible (Public Sector Audit Appointments) that Ernst and Young had not been able to meet the expectations of its contract in respect of the Council's audit.

RESOLVED that the report be noted.

14. **AUDIT COMMITTEE WORK PROGRAMME**

The Audit Committee Work Programme was noted.

The meeting terminated at 6.35 pm

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SUBJECT	Annual Review of the Code of Conduct and Complaints Procedure
RELEVANT MEMBER	Councillor David Anthony, Chairman of Audit and Standards Committee
RESPONSIBLE OFFICER	Monitoring Officer- Joanna Swift joanna.swift@chilternandsouthbucks.gov.uk Tel : 01494 732761
REPORT AUTHOR	Edwina Adefehinti:edwina.adefehinti@chilternandsouthbucks.gov.uk Tel : 01895 837377
WARD/S AFFECTED	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. The Committee is invited to note the information in this report and consider whether any changes should be made to the Council's current code of conduct and complaints procedure.
2. That the committee note that the recommendation agreed at the meeting on 10 July 2019 for paragraph 8 of the Code of Conduct to be amended to remove the reference to Policy Advisory Groups will be reported to Full Council on 19 November.

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.

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 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. 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.
- 3.5 At the meeting on 10 July 2019, this committee agreed to recommend to Full Council that paragraph 8 of the current Code of Conduct be amended to remove the reference to Policy Advisory Groups.

THE COMPLAINTS PROCEDURE

- 3.6 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.
- 3.7 The Council's current Complaints Procedure was reviewed and revised by the Committee in September 2017 and is attached at Appendix 2. This retains 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.

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.

Similar arrangements have been adopted by Chiltern District Council.

- 3.8 The monitoring officer has received 3 formal complaints during the current financial year which are proceeding through Stages 1 and 2 of the procedure. The monitoring officer is satisfied that the procedure remains fit for purpose.

4. Consultation

Not applicable at this stage

5. Options (if any)

The Committee has the option of proposing other changes to the code of conduct which could be the subject of wider consultation with members before formal consideration by Full Council and revisions to the complaints procedure. Change agreed at previous meeting.

6. Corporate Implications

Reports must include specific comments addressing the following implications:

- 6.1 Financial- None
- 6.2 Legal – As set out in the report
- 6.3 Risks issues – None
- 6.4 Equalities - None

7. Unitary Implications (if applicable)

The standards arrangements for the new Council are being developed and will form part of the Constitution.

8. 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

9. Next Steps

The Code of Conduct will be updated if Full Council approves the recommended amendment to paragraph 8.

Background Papers:	None except those referred to in the report
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Appendices

Appendix 1 – Members Code of Conduct

Appendix 2 – Arrangements for dealing with complaints alleging a breach of the Members' Code of Conduct (the Arrangements)

SOUTH BUCKS DISTRICT COUNCIL

Code of Conduct for Members Adopted on 24 July 2012 Amended 27 February 2019

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.
- (6) Having declared a personal interest you may continue to speak and vote on the item of business concerned.

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 Councils 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

ARRANGEMENTS FOR DEALING WITH STANDARDS ALLEGATIONS UNDER THE LOCALISM ACT 2011 (ADOPTED 28 SEPTEMBER 2017)

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@chilternandsouthbucks.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 and is also available on request from the Monitoring Officer by email to monitoringofficer@chilternandsouthbucks.gov.uk or by telephone on 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@chilternandsouthbucks.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 7.

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 and Standards 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 will ask the 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 and Standards 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 and Standards 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 and Standards 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 and Standards 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

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SUBJECT	Committee on Standards in Public Life Annual Report
RELEVANT MEMBER	Councillor David Anthony- Chairman Audit and Standards Committee
RESPONSIBLE OFFICER	Joanna Swift Head of Legal and Democratic Services and Monitoring Officer
REPORT AUTHOR	Edwina Adefehinti: edwina.adehinti@chilternandsouthbucks.gov.uk Tel : 01895 837377
WARD/S AFFECTED	None

1. Purpose of Report

This report draws members' attention to the Committee for Standards in Public Life (CSPL) Annual Report for 2018-19.

RECOMMENDATION:

That the report is noted.

2. 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.

3. 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 2018 -19 Report is attached as an Appendix. This contains the Forward by the Chairman, an overview of work undertaken during the year, its current work plan. The full document is available on the CSPL website at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/821702/CSPL_Annual_Report_18_19.pdf
- 3.3 Members will note that the CSPL has published one major report during the year on ethical standards in Local Government. The recommendations and best practice suggestions made by the CSPL were considered and noted by this Committee at their meeting on 9 April.

- 3.4 In March 2019, the CSPL launched a new review into whether the existing frameworks and regulations in relation to Artificial intelligence are sufficient to ensure that high standards of conduct are upheld as the use of these technologies becomes more widespread. The launch of this review followed two months' desk research into the impact of artificial intelligence on public services in the UK and international approaches to AI ethics. CSPL will draft the report in the autumn following further meetings and research, aiming to publish in early 2020.
- 3.5 The CSPL has been working actively to follow up their December 2017 report, Intimidation in public life - a review the Committee undertook at the request of the Prime Minister in July 2017. In that report there were 33 recommendations to government, social media companies, political parties, press organisations, MPs, candidates and other public office-holders. The Government responded formally to the report in March 2018 committing to action on most of the recommendations made to government. One of these was amending the rules which apply to local elections and removing the requirement for candidates standing as local councillors to have their home addresses published on the ballot paper and statement of persons nominated. CSPL have been actively following up responses to their recommendations and have received further responses from social media companies, political parties, the press regulators and the National Police Chiefs' Council. In particular, CSPL has been working with political parties on a joint approach to tackling intimidation.
- 3.6 The report also refers to progress on the CSPL recommendations from 2018 about MPs' Outside Interests. The majority of the recommendations require changes to the Code of Conduct and Guide to the Rules relating to the Conduct of Members. The Commons Committee on Standards has stated that it proposes to undertake a comprehensive review of the Code of Conduct and Guide to the Rules, involving public consultation.
- 3.7 CSPL has also continued to take a close and serious interest in the issue of bullying, harassment and sexual harassment of MPs and House of Commons staff first reported in autumn 2017.
- 3.8 Members will note that the CSPL intends to monitor and review the uptake of their best practice suggestions in 2020. The CSPL will continue its work in this complex area of standards - identifying areas for review, promoting good practice and evaluating progress against their recommendations. CSPL will also continue to test those Principles with the public and against new technology as evidenced by their Artificial Intelligence review.

4. Consultation

Not applicable

5. Corporate Implications

Financial – None
 Legal – None
 Risks issues – Not applicable.
 Equalities - None

6. Unitary Implications (if applicable)

The standards arrangements for the new Council are being developed and will form part of the Constitution. These will need to have regard to relevant best practise suggestions made by the CSPL.

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

In accordance with the Committee’s work programme a report on the standards arrangements for the new unitary Council is due to come to this Committee at their meeting on 19 March 2020.

Background Papers:	None except those referred to in the report.
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Appendices

Appendix 1 –CSPL Annual Report 2018-2019

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**Committee on
Standards
in Public Life**

Annual Report

July 2018 – June 2019

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 or locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, Non- Departmental Public Bodies, and in the health, education, social and care services. The Principles also apply to all those in the private sector 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.

Foreword

I am pleased to present the Committee on Standards in Public Life's Annual Report 18/19, my first as Chair of the Committee, having taken over in November 2018.

I would firstly like to pay tribute to my predecessor Lord Bew who led the Committee from 2013. Under his Chairmanship the Committee considered new areas such as policing, ethics for regulators and, most recently, the worrying issue of intimidation of people in public life. His wisdom and humility combined with an incisive understanding of public life in the UK have furthered the Committee's standing and reputation.

I have been struck by the complex ethical standards landscape in which this Committee sits. A range of bodies are responsible for considering standards issues, some with regulatory powers, some without, some have clear remits, whilst for others, there is a lack of clarity for the public about what they can and can't do. Indeed, this Committee has no statutory remit or powers, but relies on building influence through evidence for which it has a long-established status and a well-developed reputation.

I am acutely aware that ethics cannot be systematically imposed from outside; ethical standards must be part of an organisation's DNA. Our report on local government ethical standards emphasised this point and made a package of recommendations to support high standards of behaviour in local councils across England. The Committee was impressed by the very high level of engagement and commitment from the sector for this review and has been encouraged by the way our package of recommendations and best practice is being widely disseminated and adopted. Although the geography and dynamics of each council differ, the Nolan principles continue to provide a common baseline against which they can strive to meet the public's expectations of those who serve them.

The past 12 months have certainly not seen any easing up in the Committee's workload. We completed our local government report; have actively followed up our 2017 report on intimidation in public life, working in particular with political parties and The Jo Cox Foundation; and we have taken a close and serious watching brief on the worrying culture of bullying and harassment in Westminster, reviewing the actions taken by the Parliamentary authorities. We have also launched a new review into artificial intelligence and its impact on standards in public life, looking ahead at the need to ensure the opportunities offered by developments in AI are matched by appropriate ethical checks and balances in the public sector. Our report will be published early in 2020.

Later this year we will mark the 25th anniversary of the Committee and the Nolan principles, an important moment to reflect on the relevance of the standards the public expect of public office holders and those delivering public service. We will continue to test those Principles with the public and against new technology as evidenced by our AI review.

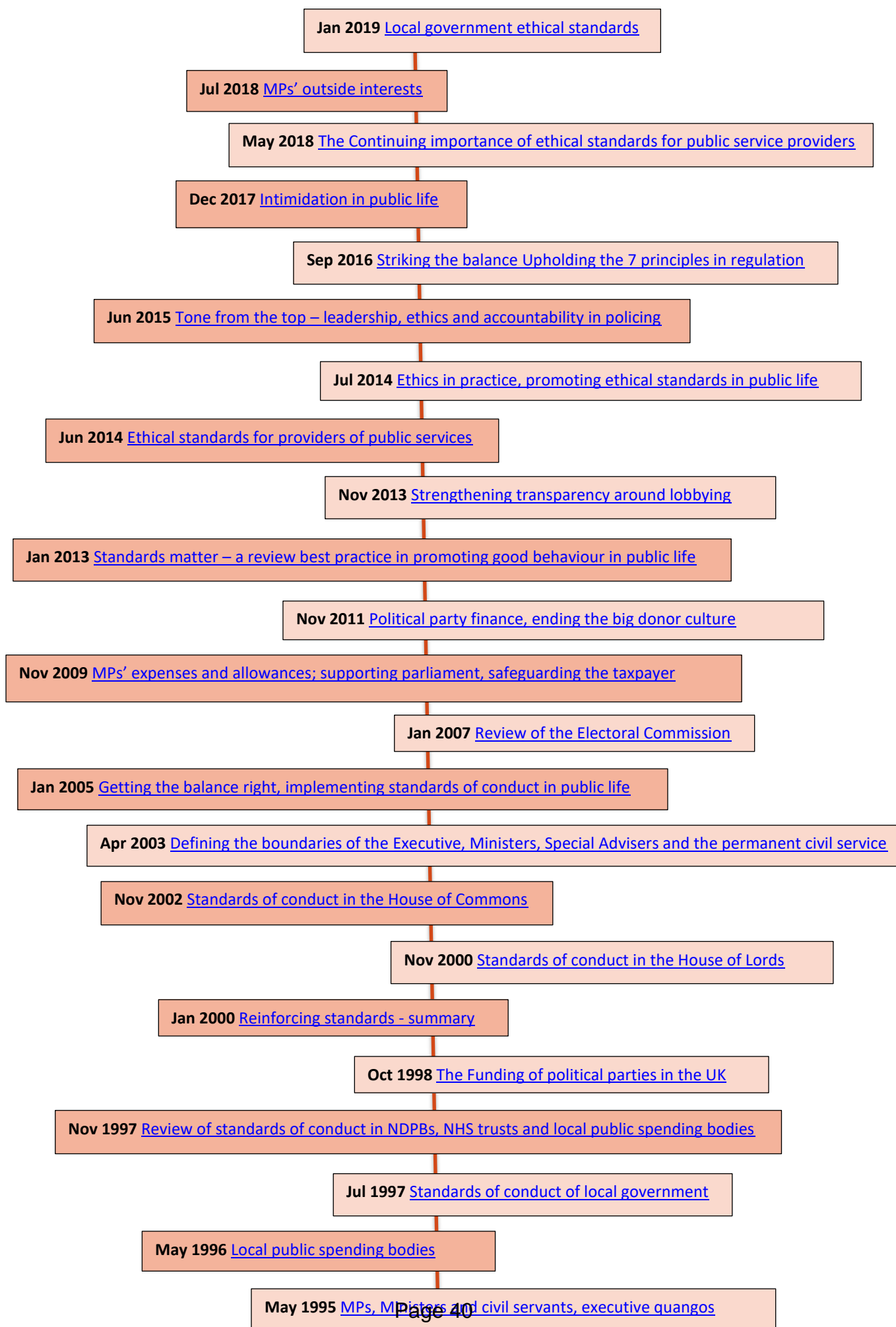
Our vision remains to reinforce clear expectations across public life of high standards of conduct.

I hope you find the report a useful account of our activities and a positive reinforcement of Nolan's vision, still relevant 25 years on.

Lord (Jonathan) Evans of Weardale KCB DL
Chair



Our reports



July 2018/June 2019

Key areas of focus for the Committee

Local Government Ethical Standards

Report published January 2019 after a year of evidence gathering:

- Public consultation
- Desk research
- Roundtables
- Interviews
- Visits to councils
- Speeches at conferences pre and post launch



AI and public standards

Launch of AI review March 2019

- Interviews
- Meetings
- Roundtables
- Focus groups
- Written submissions
- Desk research
- Speeches



Intimidation in Public Life

Follow up work with political parties and The Jo Cox Foundation
Attending external meetings; interviews, blogs, articles



MPs' outside interests

Published report July 2018: interviews, meetings, roundtable, focus groups, research



Bullying and harassment in Westminster

Close watching brief, reviewing Parliamentary authorities' responses
Meetings with parliamentary authorities
Blogs and articles



Contributing to external consultations, speeches, participation in external meetings, articles, blogs, presentations to international delegations.

Committee membership: July 2019

Terms of appointment



Dr Jane Martin CBE
(1 Jan 2017 – 31 Dec 2021)



Dame Shirley Pearce DBE
(31 Mar 2018 – 21 Mar 2023)



Jane Ramsey
(1 Sep 2016 – 31 Aug 2021)



Monisha Shah
(1 Dec 2015 – 30 Nov 2020)



Rt Hon Dame Margaret Beckett DBE MP (Labour)
(1 Nov 2016 – 31 Oct 2019)



Simon Hart MP (Conservative)
(24 Jul 2017 – 23 Jul 2020)



Rt Hon Lord Stunell OBE (Liberal Democrat)
(1 Dec 2016 – 30 Nov 2019)



Chair, Lord Evans of Weardale KCB DL
(1 Nov 2018 – 31 Oct 2023)

Independent Chair and 4 independent members, appointed for 5 years, non-renewable appointments.

3 political representatives, appointed for 3 years, renewable appointments.

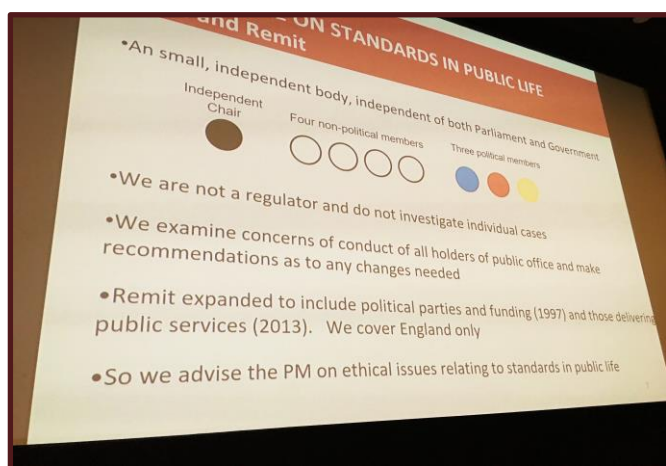
All appointments made by the Prime Minister.

Introduction

The Committee was established in 1994 with a clear purpose: to examine areas of concern about the standards of conduct of public office holders, advise the Prime Minister accordingly, and to promote the highest standards of conduct across public life.

The maintenance of high standards in public life is important for the good functioning of society as a whole, it helps maintain public trust in institutions, and is important for democracy. High standards of conduct underpin public confidence in every aspect of public life, from the delivery of health and social care services to education, policing and legislation.

This Committee plays a key role in examining areas of concern and maintaining a watching brief on standards in public life. We are not a regulator so we have no statutory powers and no remit to investigate individual cases. Instead we use a variety of means to do our work, to extend our influence, to persuade and make sure our voice is heard. Our independence of Government and Parliament alike is key.



The Committee seeks to identify areas of concern in conduct and behaviours before they develop into breaches of trust or worse; undertakes balanced, comprehensive reviews with recommendations based on robust evidence; makes informed contributions to public debates about ethical standards, including submissions to public consultations; proactively identifies and responds to emerging ethical risks, and engages with a wide-range of partners on the ethical standards agenda.

It is a broad field so we are committed to working with others to ensure this vision of high ethical standards is met and that the Principles of Public Life are understood and embedded across public life. We have been pleased to hear directly from some of those also playing important roles in this landscape.

Our effectiveness depends on our ability to build powerful arguments using research and evidence which convinces others to take forward our recommendations for change.

In this report, we describe how we have carried out these activities in areas that have been our priorities in the period July 2018 – June 2019; and we look forward to marking our 25th anniversary.

Factual information about the Committee's remit, membership, data protection, financial information, reports published, speeches and meetings, and our Research Advisory Board can be found in Annexes A-G.

We are fully committed to openness in our activities. We will ensure that we communicate our work effectively, to make it visible to everyone with an interest in ethical standards.

Review of activities: July 2018 – June 2019

Local Government Ethical Standards

The main focus of our work this year was our review into local government ethical standards. The Committee has had a long-standing interest in local government - the Committee's third report, in 1997, was on local government - and many of the institutional changes that have taken place in local government standards in the last two decades have been in response to the Committee's recommendations.

"The recent publication from the Committee on Standards in Public Life has refocused attention on a vital aspect of good governance: setting and enforcing standards of behaviour for local authority members."
(LGC 18 March 2019)

We launched the review on 29 January 2018. The report was not prompted by any specific allegations of misconduct, but more to check that the current framework was helpful in promoting and maintaining the standards expected by the public. The review, published on 30 January 2019, considered the structures, processes, and practices for local government standards in England, including codes of conduct, sanctions, investigatory processes, the roles of Monitoring Officers, Clerks, and Independent Persons, and an ethical culture in local government.



Importantly, we did not propose a return to a centralised, standardised system. Rather the report produced recommendations intended to be implemented as a package to address the risks we identified and to maintain the balance of a system that supports the best instincts of councillors whilst addressing unacceptable behaviour by a minority and guarding against potential corporate standards risks.

Launch of Report

Panel (L-R) Jonathan Goolden, Dame Stella Manzie DBE, Dr Jane Martin CBE, Lord Evans

The report has been well received in the sector. Since publication, we have followed up by liaising with leadership organisations in the sector, the Local Government Ombudsman (LGO) and the Ministry of Housing, Communities and Local Government (MHCLG); and independent members have spoken at 5 conferences:

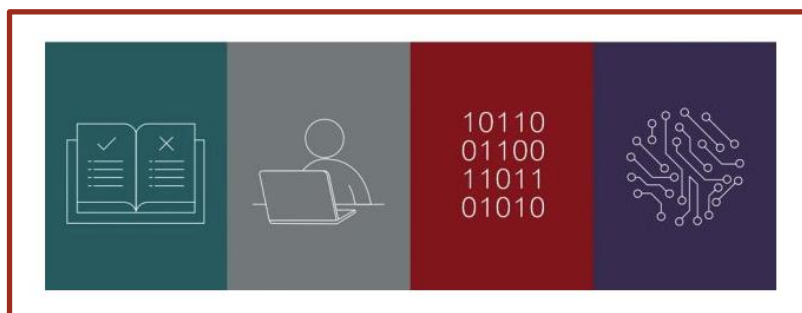
- National Association of Local Councils, 11 February, London;
- Society of Local Council Clerks, 15 February, Kenilworth;
- Lawyers in Local Government (LLG) weekend conference, 29 March, London;
- LLG Annual Monitoring Officers' conference, 14 June, London;
- Monitoring Officers conference, London, 10 July.



Jane Ramsey speaking at LLG annual weekend conference, 29 March 2019

As stated in the report, we will review in 2020 councils' take up of our best practice recommendations.

Artificial Intelligence (AI) and Public Standards



In March 2019, we launched a new review into whether the existing frameworks and regulations in relation to AI are sufficient to ensure that high standards of conduct are upheld as the use of these technologies becomes more widespread.

This is a new area of research for this Committee, but highly relevant as technologically assisted decision-making is adopted more widely across the public sector.

The launch of this review followed two months' desk research into the impact of artificial intelligence on public services in the UK and international approaches to AI ethics.

"You need a culture of design in which transparency, interpretability and explicability are built in at the beginning."
Roundtable, 23 May 2019



Six months into the review, the Committee has invited written submissions and undertaken a wide-ranging series of meetings with academics, AI professionals, and government officials, including 3 [roundtables](#), to gain expert advice and obtain a clear picture of how AI will change public services and how it will affect public standards. Focus groups were held in June to gain insight into the general public's views on how standards should apply in a future where public services are delivered by artificial intelligence. This research and evidence gathering will help us evaluate if government and public bodies are ready to meet the 6 key challenges we have identified that AI poses for public standards.

We want to thank Imperial College, London, for hosting our second roundtable on 29 May 2019.

We will draft the report in the autumn following further meetings and research, aiming to publish in early 2020.

Roundtable held on 23 May 2019, 1 Horse Guards Road

"How can responsibility for AI systems can be clarified at the point of use... It is clear that we cannot abdicate responsibility here and it is a question of how we maintain that responsibility and accountability."
Roundtable, 29 May 2019

Intimidation in Public Life

We have been working actively to follow up our December 2017 report, *Intimidation in public life* - a review the Committee undertook at the request of the Prime Minister in July 2017.



The report, published in December 2017, examined the shocking intimidation experienced by candidates at the 2017 General Election, and significantly highlighted the wider effect on public life. The problem has not gone away and intimidation remains a real danger to our democracy.

In that report, we made 33 recommendations to:

- government
- social media companies
- political parties, press organisations
- MPs
- candidates and
- other public office-holders.

“There is no easy, single solution to address this problem, and the Opposition welcome the package of recommendations outlined by the Committee on Standards in Public Life for the Government, social media companies, political parties, the police, broadcast and print media, MPs and parliamentary candidates.”

(Cat Smith MP, Shadow Minister, Cabinet Office, Westminster Hall debate, 21 May 2019)

The Government [responded](#) formally to the report in March 2018 committing to action on most of the recommendations made to government. The Government published a further [response](#) on 7 March 2019 updating action taken in response to the report. We welcomed the Government’s [‘Protecting the Debate’](#) – the Government’s response to their consultation on proposals aimed at protecting the electoral system against intimidation and undue influence of candidates, campaigners and voters.

Since the publication of the report, we have been actively following up responses to our recommendations and have received further [responses](#) from social media companies, political parties, the press regulators and the National Police Chiefs’ Council. The Committee has attended external meetings and seminars and the Chair has written a number of [blogs](#) and [articles](#) on this issue.

In particular, we have been working with political parties on a joint approach to tackling intimidation. We were delighted to announce on 21 May 2019 that [The Jo Cox Foundation](#) had agreed to act as an independent third party to support this work and we will be working with The Foundation and political parties holding seats in Westminster to draw up a joint standard on intimidatory behaviour to encourage cross-party consensus to recognise and address this worrying issue.

“I was [therefore] pleased to read the letter and joint statement that have gone out today from the Committee on Standards in public Life and The Jo Cox Foundation about the work that they will be looking to do together to continue her legacy.”

Kevin Foster MP, Parliamentary Secretary, Cabinet Office, Westminster Hall debate, 21 May 2019

MPs' Outside Interests



In July 2018, we published our report [MPs' Outside Interests](#).

The Committee had previously considered the issue of MPs' outside interests in its 2009 report on MPs' Expenses and Allowances.¹

The 2018 report recommended a package of important reforms to ensure that MPs' outside interests remain within reasonable limits.² These included:

- Revising the Code of Conduct for MPs, so that any outside roles, whether or not they are paid, do not prevent MPs from undertaking the range of duties expected of them in their primary role as an MP.
- To facilitate greater transparency of the registration and declaration of interests, the Register of Members' Financial Interests must be more accessible, searchable and usable.
- The Cabinet Office should issue guidance to Parliamentary candidates on the registration of outside interests, so voters know whether candidates intend to carry on any of their existing jobs if they are elected.

"MPs will be reminded that their principal job is to serve their constituents" The Telegraph, 2018

The majority of the recommendations require changes to the Code of Conduct and Guide to the Rules relating to the Conduct of Members. The Commons Committee on Standards has stated that it proposes to undertake a comprehensive review of the Code of Conduct and Guide to the Rules, involving public consultation. The Commons Committee on Standards has published its response to the report [here](#).

The Committee expects this review to implement the Committee's recommendations and to address the specific issues raised in *MPs Outside Interests*. The Committee met with the Commons Committee on Standards on 4 June 2019 to discuss these recommendations and other issues of common interest to the two Committees.

"There needs to be even greater transparency and openness to the public on outside interests — in a fully searchable digital register of interests — and at elections. Transparency may not automatically deliver greater trust, but it is essential in reducing the likelihood of poor behaviour and increasing the chances of detection if it does occur." (Lord Bew, Times Red Box article, 3 July 2018)

¹ In its 2009 report, the Committee recommended that MPs should be able to continue with outside employment, as long as any outside interests were within reasonable limits and there was transparency, and that information about it should be drawn to voters' attention at election time

² The review was paused when the 2017 general election was called, and again when the Committee reviewed, as a priority, intimidation in public life. The Committee came back to the review in January 2018 and the report was published in July 2018.

Bullying and harassment in Westminster

The Committee believes that all those who work in and around Parliament – or support Parliamentarians in their constituency offices – deserve to be treated with courtesy and respect both by their colleagues and MPs and Peers.

During this reporting year, the Committee has continued to take a close and serious interest in the issue of bullying, harassment and sexual harassment first reported in autumn 2017, monitoring the response of the Parliamentary authorities.

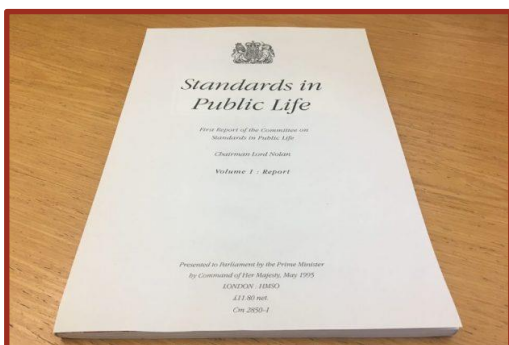
The Committee welcomed the steps announced by the Leader of the House in July 2018 to put in place independent processes for dealing with allegations of bullying and harassment, but the [report](#) of the independent inquiry headed by Dame Laura Cox QC into the bullying and harassment of House of Commons staff indicated that more needed to be done.

The Committee has been struck by the complex picture of inquiries, reviews and working groups commissioned this year. There has been a multi-faceted response which appears to have resulted from the emerging nature and scale of the problem. In March, we published a [blog post](#) which set out in one place the initiatives underway in Parliament, to increase public understanding and to encourage rapid progress. It has continued to hold meetings with senior people in Parliament responsible for delivering change.

It is important that Parliament responds appropriately to the outcome of each of these work areas and that change is swift so that people in Parliament feel confident they are working in an environment where high standards of behaviour are upheld but where there is a formal complaint, the investigation process is fair.

The [published minutes](#) of the Committee meetings have recorded the active watching brief the Committee is maintaining in this area. The Committee has made public statements and published [correspondence](#) on its website where it felt it was important to express its concerns, for example, at the seemingly longstanding and unaddressed culture of bullying and harassment revealed by the Cox Report and in the aftermath, at the lack of clarity around accountability for the process to implement the Cox recommendations.

25 years on



On 25 October 1994, the Rt Hon Sir John Major [announced](#) the setting up of the Committee in Standards in Public Life; Lord Nolan's first [report](#) was published in May 1995.

People then may not have expected the report to have much influence or that the Committee would survive beyond that Parliament, but that report and the Committee's subsequent reviews have led to fundamental changes across standards in public life over the past 25 years.

The Committee is not complacent. Building and maintaining an ethical culture requires constant attention. Whilst there is much to suggest the Principles are still relevant and offer a clear articulation of expected standards in public life, we intend to re-test the principles in particular with students, the next generation. We want to see what they make of the principles, whether they think they are the standards to which we should be holding those who serve in public office to account. The Committee is looking forward to hearing what they have to say at this workshop which we intend to hold later this year.



We also want to do some work to outline the standards landscape. Few would disagree that the standards landscape is crowded and confusing which is likely to make it less effective than it might be. We will be working with an academic to review the landscape, to set out clearly the role, functions, status, powers and history of each individual body responsible for the upholding of standards across public life in England.

The Committee will continue its work in this complex area of standards - identifying areas for review, promoting good practice and evaluating progress against our recommendations. We look forward to the next 25 years.

Annexes

[Annex A – About the Committee](#)

[Annex B – Membership of the Committee](#)

[Annex C – Data Protection](#)

[Annex D – Reports Published](#)

[Annex E – The Research Advisory Board](#)

Annex F – Speeches, presentations, visitors, consultations

In the period July 2018 - June 2019, the Chair, independent members and members of the Secretariat have spoken at a number of events on standards issues, promoting the work of the Committee and the importance of the Seven Principles of Public Life, including:

- 4 July 2018: Lord Bew (then Chair) addressed a University of Warwick (London-based) conference on the Construction of Public Office and the Pursuit of Integrity
- 3 October 2018: Jane Ramsey and Secretariat received an international delegation arranged by the Public Service Commission
- 16 October 2018: Jane Ramsey and Secretariat participated in the General Pharmaceutical Council event on professional standards
- 29 October 2018: Dame Shirley Pearce and Secretariat participated in the CfPS, Public Private Partnerships seminar – The Value of Scrutiny
- 30 October 2018: Jane Ramsey and Secretariat received an international delegation arranged by the Public Service Commission
- 21 January 2019: Royal United Services Institute (RUSI): The National Security AI Policy Framework, Lord Evans
- 11 February 2019: National Association of Local Councils (NALC) conference
- 15 February 2019: Society of Local Council Clerks (SLCC) practitioners' conference, Kenilworth
- 29 March 2019: Lawyers in Local Government (LLG) weekend annual conference
- 14 June 2019: LLG annual monitoring officers' conference
- 10 July 2019: Standards conference for monitoring officers
- Since his appointment in November 2018, Lord Evans has met with the Committee's key stakeholders who share our interest and role in standards matters, including: Minister for the Cabinet Office; Chair, Electoral Commission; Commissioner for Public Appointments; Chair, IPSA; Commons Parliamentary Commissioner for Standards; Lords Commissioner for Standards; Chair, Commons Committee for Standards; Chair, Lords Privileges and Conduct Committee; Director Regulation, UK Statistics Authority; First Civil Service Commissioner; Chair, Advisory Committee on Business Appointments; Clerk, House of Commons; Director, Institute of

Business Ethics; Government Chief People Officer; CEO, National Centre for Public Sector Leadership.

The Committee has also promoted the Seven Principles of Public Life through responses to a number of consultations, including:

- September 2018: NCVO [consultation](#) on charity code of ethics
- March 2019: Joint Committee on Human Rights [inquiry](#) into democracy, free speech and freedom of association
- May 2019: Commons Committee on Standards [inquiry](#) into possible reforms to the system of sanctions for breaches of the rules set out in the Code of Conduct for Members of Parliament
- June 2019: Public Administration and Constitutional Affairs Committee (PACAC) [inquiry](#) into electoral reform
- June 2019: House of Commons Commission [consultation](#) on non-recent complaints of bullying, harassment and sexual misconduct
- June 2019: [Government's Online Harms White Paper](#).

In addition, Dr Jane Martin, worked with and supported the Ethical Leadership Commission of the Association of School and College Leaders (ASCL) on their framework for ethical leadership in education and wrote the foreword to their [report](#).

Kevin Dunion OBE, Convener, the Standards Commission for Scotland and Lorna Johnston, Executive Director of the Standards Commission for Scotland, joined the October 2018 Committee meeting for a general discussion comparing standards issues in local government in Scotland.

Professor Allyson Macvean (Professor of Policing and Criminology, Bath Spa University); Professor Vassilios Papalois (Surgeon at Imperial College); Chief Constable Julian Williams (NPCC portfolio for ethics); and Rev Prof Scott Shackleton (Deputy Chaplain of the Fleet in Naval Command HQ Portsmouth) joined the November 2018 Committee to present their work in relation to ethics and integrity through the Police Ethics Network.

Julie Harding, Independent Director of Cultural Transformation, House of Commons spoke to the Committee in April 2019 to update them on Parliament's response to Dame Laura Cox's recommendations to deliver cultural change in Parliament.

Professor Richard Susskind OBE spoke on Artificial Intelligence to the Committee at their June 2019 meeting.

Professor Cees Van der Eijk and Dr Jonathan Rose presented their research on perceived fairness of the EU Referendum to the July 2019 Committee meeting. Their paper can be found [here](#).

Annex G – Financial Information

Independent members of the Committee on Standards in Public Life may claim £240 for each day they work on Committee business. The Chair is paid a remuneration of £36k per annum with the expectation that they commit an average of 5-6 days a month although this can increase significantly during periods of Committee reviews.

Independent members are reimbursed for expenses necessarily incurred.

The 3 political members of the Committee do not receive any fees or expenses.

As an advisory non-departmental public body, the Committee on Standards in Public Life receives a delegated budget from the Cabinet Office. Day-to-day responsibility for financial controls and budgetary mechanisms are delegated to the Secretary of the Committee. Creation of new posts are subject to the Cabinet Office Approvals process.

Members of the Secretariat are permanent civil servants employed by the Cabinet Office. There are 5 full-time members of the Secretariat.

For the financial year 2018/19, the Committee's budget was £339k with a final outturn of £361k.

Annual Report 2018/19

Published by the Committee on Standards in Public Life

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SOUTH BUCKS DISTRICT COUNCIL

AUDIT & STANDARDS COMMITTEE

STANDARDS WORK PROGRAMME

2019/2020

		2019		2020	
	Contact	10.07.19	23.10.19	14.01.20	19.03.20
10.07.19					
<ul style="list-style-type: none"> Complaints Monitoring Report 2018/19 	Joanna Swift	X			
<ul style="list-style-type: none"> Code of Conduct and complaints procedures for Buckinghamshire Council as a Shadow Authority 	Joanna Swift	X			
23.09.19					
<ul style="list-style-type: none"> Annual Review of Code of Conduct and Complaints Procedure 	Joanna Swift		X		
<ul style="list-style-type: none"> Committee on Standards in Public Life Annual Report 	Joanna Swift		X		
14.01.20					
<ul style="list-style-type: none"> Proposed Code of Conduct and complaints procedures for Buckinghamshire Council 	Joanna Swift			X	
19.03.20					
<ul style="list-style-type: none"> Code of Conduct and complaints procedure for Buckinghamshire Council 	Joanna Swift				X
<ul style="list-style-type: none"> Complaints Monitoring Report 2019/20 	Joanna Swift				X

SUBJECT:	<i>Annual Fraud Report</i>
REPORT OF:	<i>Portfolio Holder for Customer Services and Business Support – Councillor Duncan Smith</i>
RESPONSIBLE OFFICER	<i>Neil Berry, Acting Head of Customer Services</i>
REPORT AUTHOR	<i>Alistair Webb, 01494 732227, Alistair.webb@chilternandsoithbucks.gov.uk</i>
WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

This report is to advise the Audit and Standards Committee of the Anti- Fraud and Error reduction activity undertaken in 2018/19.

RECOMMENDATION:

Members are asked to note and comment on the outcomes and comment on future activity.

2. Reasons for Recommendations

The report is for information only and no action is required.

3. Report

- 3.1 This report details the anti-fraud and error reduction activity completed during the 2018/19 financial year and the outcomes where appropriate.
- 3.2 The Revenues Fraud and Error Reduction Team is responsible for carrying out anti-fraud activity in relation to Housing Benefit and Local Council Tax Support It also provides assistance to Internal Audit, and all other service areas providing the main resource for fraud and irregularity matters.
- 3.3 The Audit, Fraud and Error Reduction Manager in conjunction with the Internal audit contract manager provides Risk Management guidance and during 2018/19 is providing Risk Management and Anti- Fraud guidance to all of the councils middle management as part of the ongoing Middle Managers development programme.

Background

3.4 In 2018/19 Chiltern District Council awarded a total of £18,342,228 in Housing Benefit and £3,645,306 in Local Council Tax Support. With South Bucks District Council awarding £14,352,903 in Housing Benefit and £2,927,778 in Local Council Tax Support.

3.5 The Revenues Team carry out fraud prevention while making the schemes as accessible and customer friendly as possible. The Councils continue to operate a risk based verification process introduced October 2016 and reviewed on an annual basis. Claims are risked scored at the outset to identify cases require further checking of circumstances while allowing the more straightforward, lower risk cases to be processed without the burden of verification.

3.6 All applications are made by an online claim form, as part of the claim process once the claim is submitted instant background checks are carried out and this generates a list of verification requirements to be provided by the customer to support the application. The process does not entirely remove human intervention with officers using their knowledge and judgement to override the risk score and refer to the fraud team where the circumstances declared do not appear correct. The fraud team has then made more in depth inquiries and challenged the customers where appropriate preventing potential frauds entering the system.

3.7 For on-going benefit and reduction claims the Fraud and Error Team target cases based on known risk factors or as a result of information received from third parties, including HMRC, DWP and the general public to ensure claims are accurate and identify errors at the earliest opportunity.

4 Housing Benefit Fraud and Error

4.1 The Fraud Team provide support to the DWP's Single Fraud Investigation Service (SFISs). SFIS are responsible for the investigation sanction or prosecution of Housing Benefit and historic Council Tax Benefit frauds. The SFIS teams have no direct access to the councils Housing Benefit records requiring the councils Fraud Team to act as the main contact point, providing documentation, statements and decisions on benefit overpayments and agreements on the offer of Administrative Penalties.

4.2 A total of 75 cases were referred to SFIS for investigation. One completed prosecution, with a further 5 cases awaiting Court action.

SFIS Prosecution Outcomes			
Resident	Overpayment	Outcome	
Mrs W Chesham	£7,380	3 Year Conditional Discharge. £20 victim compensation.	

(In addition to the above outcome the offender is subject to a loss of benefit Sanction of 13 weeks applied to the Benefits or Tax Credits that the applicant is receiving).

4.3 The fraud team also act as the main contact for the DWP's annual audit of Housing Benefit (Housing Benefit Review). 5 cases were selected and one case referred to SFIS Fraud team to carry out an Investigation (currently ongoing).

4.4 The above DWP audit feeds into national statistics to estimate the level of fraud and error within housing benefit. The latest estimated DWP statistics for 2018/19 are shown below with previous year's comparison and the equivalent figures for Chiltern and South Bucks.

Housing Benefit DWP Fraud And Error statistics.				
Year	Total Expenditure	Total Overpayment Percentage Rate	Fraud/Error	Official Error
2018/19	£20.8bn	6.40%	5.90%	0.50%
2017/18	£22.3bn	6.70%	6.20%	0.50%
Chiltern Fraud and Error Statistics				
Year	Total Expenditure	Total Overpayment Percentage Rate	Fraud/Error	Official Error
2018/19	£17.6mil	3.67%	3.29%	0.38%
2017/18	£18.3mil	2.77%	2.49%	0.28%
South Bucks Fraud and Error Statistics				
Year	Total Expenditure	Total Overpayment Percentage Rate	Fraud/Error	Official Error
2018/19	14.5mil	3.90%	3.68%	0.22%
2017/18	15.2mil	2.36%	2.23%	0.13%

4.5 To assist in identifying fraud and error within Housing benefit the DWP provide access to HMRC Real Time information. Prior to September 2018 this was provided as a list of cases identified on a monthly basis requiring the LA to consider and amend based on the RTI information provided. From September 2018 this changed to the LA accessing a dynamic risk based queue of cases identified and controlled by DWP. Each

LA was provided with funding to process a reasonable number of the records made available by DWP with no specific target but activity monitored by DWP.

DWP funded:

- Chiltern DC £22,142
- South Bucks DC £14,160

The team reviewed 1018 cases using the above data.

4.6 DWP also required LA'S to target HB claims with declared Self Employed income and granted the following funding to assist with reviewing the Self Employed earnings.

DWP Funding:

- South Bucks DC £3,708
- Chiltern DC £6,294

A total of 166 claims were reviewed with 76 of the cases resulting in a reduction or cessation of Housing Benefit.

4.7 The fraud and Error Team carried out 24 investigations into both Housing Benefit and Council Tax Support issues. Although no cases suitable for further sanction the overall financial adjustments and recovery position is shown in the table below.

No of cases	Total weekly support	reduction in benefit or	Total overpayments identified	Overpayments outstanding
24	£1,682		£207,585	£101,080

4.8 The team also deals with individual DWP'S Housing Benefit Matching Service Referrals where data matching has identified a potential discrepancy.

5. Council Tax and Housing Fraud and Error.

5.1 The Fraud Team maintains close links with Paradigm Housing Association and provide investigative assistance with tenancy fraud issues. Two cases were referred for investigation and Paradigm recovered two tenancies. The value of recovered tenancies is estimated as £2,800 per case. This is based on the average cost of Bed and Breakfast placement. The council has preferred rights to nominate to the recovered tenancies.

5.2 The Fraud Team provide assistance to the housing team providing background check's and jointly interviewing customers to clarify discrepancies. As a result

of this joint work two temporary housing placements have been terminated. The Fraud and Error team carry out residency checks on temporary accommodation placements to verify occupation and assist with housing debt recovery.

- 5.3 Both Councils take part in the bi-annual National Fraud Initiative and annual council tax Single Persons Discount data matching. The bi-annual exercise, which is hosted and managed by the Cabinet Office, is a mandatory requirement with the council submitting a variety of data to be matched against external data available to the cabinet office. To assist the targeting of resources the output is graded with priority matches identified. Work is ongoing with the matches. The current position on outcomes is shown below:

Outcomes for the last bi-annual data match exercise:

NFI General Matching Outcomes.	
Total Referred	1800
Total Actioned	346
Total value of outcomes	£4,776

NFI Single Persons Discount results to date:

NFI Single Persons Discount Matching Outcomes.	
Total Referred	2133
Total Actioned	1588
Total Value of Outcomes	£50,675

6. Team Development

- 6.1 The new fraud officer recruited to the team in July 2018 has completed an External training course obtaining accreditation as a Counter Fraud Technician.
- 6.2 The Audit, Fraud and Error Reduction Manager leads a regional "Fraud Group" A voluntary body of neighbouring authorities to share and discuss fraud issues and trends. The group co-hosts meetings with the similar Bucks Tenancy Fraud Forum to increase coverage across the fraud arena, meeting on a quarterly basis.
- 6.3 In partnership with Dacorum Borough Council the Fraud Manager provided Fraud Awareness training to a group of Kettering Borough Council officers. On-going discussions to provide further training to officers and members.

7. Options.

7.1 The Council has a duty to protect the local public purse and the Revenues Fraud and Error Reduction Team provide a resource for prevention, detection and recovery of fraud and irregularity.

8. Corporate Implications

8.1 The Fraud and Error Team are an integral part of the Revenues Service but provide a fraud investigation service across the Council.

8.2 For legal implications the Fraud and Error Team have external links with experienced criminal lawyers and will liaise and consult with our own legal services as and when required.

9. Links to Council Policy Objectives

9.1 Providing Cost Effective, customer focussed services. Ensuring that services are secure and identifying and recovering fraud and error overpayments.

Background Papers:	None
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South Bucks District Council

Internal Audit Comparison Report

**Audit and Standards Committee 23 October
2019**

October 2019

INTRODUCTION

1. The following report provides a comparison of assurance levels over time so that the Audit and Standards Committee can see any trends arising. This is particularly important given the prolonged austerity measures which may have impacted upon the control framework at South Bucks DC.

COMPARISON OF ASSURANCE LEVELS BETWEEN 2012/13 TO 2018/19

2. The comparison of the assurance levels between 2012/13 to 2018/19 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	Assurance Level 2017/18	Assurance Level 2018/19	Comment
Insurance	Substantial	-	-					
Housing Options	Substantial	-	-					
Gifts Hospitality Interests Expenses	Substantial	-	-			Reasonable		
Renovation/Community Grants	Substantial	-	-	Substantial				
Data Quality	Substantial	Reasonable	-					
Risk Management	Substantial	Reasonable	-	Reasonable				

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Assurance Level 2017/18	Assurance Level 2018/19	Comment
Creditors	Substantial	Reasonable	Substantial	Reasonable	Substantial	Substantial	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	Substantial	Substantial	
Treasury Management	Substantial	Substantial	Substantial	Substantial		Substantial		
NDR	Substantial	Substantial	Substantial	Reasonable				Now combined with Council Tax
Payroll	Substantial	Reasonable			Substantial	Reasonable	Substantial	

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Assurance Level 2017/18	Assurance Level 2018/19	Comment
Council Tax and NDR (SBDC)	Substantial	Substantial	Substantial	Reasonable	Substantial	Substantial		
Council Tax and NDR (CDC)	Substantial	Substantial	Substantial	Reasonable	Substantial	Substantial		
Local Land Charges	Full	-	-					
Sundry Debtors	Substantial	Limited	Reasonable	Reasonable	Reasonable	Substantial	Substantial	
Housing and Council Tax Benefits	Substantial	Reasonable	Substantial	Substantial	Substantial	Substantial		Now combined with Council Tax Support
Income Management	Substantial	-	-					
Managing the Risk of Fraud	Substantial	-	Reasonable					
Car Parking	Substantial	Substantial	Substantial	Substantial	Substantial	Substantial		

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Assurance Level 2017/18	Assurance Level 2018/19	Comment
Corporate Governance	Substantial	-	Reasonable	Reasonable	Substantial		Reasonable	
Web Content Management System	Limited	-	-					
Budgetary Control		Substantial	-	Substantial	Substantial		Substantial	
HR Recruitment		Substantial	-			Substantial		
Joint Working		Substantial	Reasonable	Substantial				
Cash and Bank		Substantial	Reasonable	Substantial	Substantial	Substantial	Substantial	
Council Tax Support		Substantial	Substantial		Substantial	Substantial		
Environmental Health		Reasonable	-		Substantial			
Emergency Planning		Reasonable				Substantial		

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Assurance Level 2017/18	Assurance Level 2018/19	Comment
Integra		Reasonable	-					
Cemeteries		Reasonable	-			Substantial		
Housing Section 106		Reasonable	-	Substantial			Reasonable	
Waste Collection		Reasonable	-	Substantial		Reasonable		South Bucks only for 15/16
HR - Absence Management			Substantial				Substantial	
Licensing			Reasonable		Substantial			
Procurement			Reasonable		Reasonable		Reasonable	
Health and Safety Contractor Arrangements			Reasonable		Reasonable		Advisory	

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Assurance Level 2017/18	Assurance Level 2018/19	Comment
Grounds Maintenance			Reasonable			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			Substantial	
Housing Allocations/Homelessness				Reasonable				
Electoral Registration				Substantial				
Freedom of Information				Reasonable				

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Assurance Level 2017/18	Assurance Level 2018/19	Comment
ICT Data Protection				Reasonable			Reasonable	
ICT Updata				Reasonable				
Expenses					Reasonable	Substantial	Substantial	
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		Substantial	
Purchasing Cards					Reasonable	Reasonable	Reasonable	
HR Policies and Procedures						Substantial		
HR - iTrent Payroll System (HR Module)						Substantial		

Audit Area	Assurance Level 2012/13	Assurance Level 2013/14	Assurance Level 2014/15	Assurance Level 2015/16	Assurance Level 2016/17	Assurance Level 2017/18	Assurance Level 2018/19	Comment
Complaints and Compliments						Substantial		
Temporary Accommodation						Reasonable	Substantial	
ICT Network Controls						Reasonable	Reasonable	
ICT Customer Experience							Reasonable	
Waste Services – Health and Safety						Limited		
Commercial Rents						Substantial		
Business Continuity							Substantial	
Project Management							Substantial	
Safeguarding							Substantial	
New Chiltern Car Park							Reasonable	
Planning Development and Enforcement							Reasonable	

1. Summary of Assurance levels:

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Full	1	-	-	-	-	-	-
Substantial	22	9	9	13	18	16	14
Reasonable	N/A	14	10	11	8	7	9
Limited	2	1	-	-	-	1	-

2. 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 Chiltern has significantly reduced as a result of the joint working with South Bucks Council and the transformation arising from the many service reviews.

South Bucks District Council

Internal Audit Progress Report 2019/20

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INTRODUCTION

1. This summary report provides the Audit Committee with an update on the progress of our work at Chiltern and South Bucks District Council as at 20 September 2019.

PROGRESS AGAINST THE 2019/20 ANNUAL PLAN

2. Our progress against the Annual Plan for 2019 -20 is set out in Appendix A. The results of finalised audits both for 2018/19 and 2019/20 with Priority 1 or 2 recommendations are shown at Appendix B.

EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES

3. We have identified no 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

4. The table below sets out details of audits finalised since the previous meeting of the Audit and Standards Committee on 9 April 2019.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
<u>2018/19 Audit reports</u>								
Project Management	Substantial	18/04/19	03/07/19	08/07/19	-	-	1	-
ICT Annual Network Audit	Reasonable	08/04/19	01/07/19	09/07/19	-	5	-	-
ICT GDPR	Reasonable	03/05/19	Still at	Draft Report	-	3	-	-
ICT Customer Experience	Reasonable	July 2019	Still at	Draft Report	-	3	-	-
Housing Section 106	Reasonable	25/04/19	01/07/19	02/07/19	-	3	-	-
New Chiltern Car Park	Reasonable	05/04/19	15/08/19	20/08/19	-	-	4	-

Planning Development and Enforcement	Reasonable	25/04/19	Still at	Draft Report	-	3	1	2
<u>2019/20 Audit Reports</u>								
Car Parking	Substantial	03/09/19	04/09/19	10/09/19	-	-	-	-
Disabled Facilities Grant	Substantial	13/06/19	27/06/19	01/07/19	-	-	2	-
Stores, Shop and Bar at Golf club	Reasonable	03/07/19	16/07/19	18/07/19	-	1	-	-

*OEM = Operational Effectiveness Matters (these are good practice suggestions that have arisen during the audit)

Copies of the finalised reports (recommendations only) where priority one or two recommendations have been made are attached at Appendix B.

CHANGES TO THE ANNUAL PLAN 2019/20

6. The following changes have been made to the Annual Internal Audit Plan for 2019/20:
 - 1) Delete Equalities – 8 days (Audit not a priority in 2019/20)
 - 2) Add Contractor Health and Safety audit – 8 days

FRAUDS/IRREGULARITIES

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

LIAISON

8. We liaise with EY and provide reports and working paper files, as required.
We have regular client meetings with the Audit, Fraud and Error Reduction Manager and Head of Finance.

PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS

9. We have not made any Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous Progress Report

RESPONSIBILITY/DISCLAIMER

10. 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 2019/20

System	Planned Quarter	Days	Current Status	Comments
Governance	3	8		
Complaints and Compliments	2	6	In progress	
Performance Management/Efficient Working	1	8	In progress	
Contracts	1	9		This will be a Quarter 4 audit
Information Governance/Data Quality	3	8	In progress	
Subject Access Requests	2	8	Draft report issued 11 September 2019	
Emergency Planning	2	8		Start date 23 September 2019
Health and Safety – Internal Arrangements	2	7		This will be a Quarter 3 audit
Purchase Cards	1	8	Draft report issued 11 September 2019	
Expenses	1	8	In progress	
Main Accounting	3	7		Start date 7 October 2019
Payroll	3	11		Start date 11 November 2019
Accounts Receivable (Debtors)	3	8		Start date 21 October 2019
Accounts Payable (Creditors)	3	8		Start date 21 October 2019
Benefits	1	13	CDC – final report issued 15 July 2019. SBDC – in progress.	
Council Tax Support	1	13	CDC – final report issued 15 July 2019. SBDC – in progress.	
Council Tax and NDR	1	25	CDC – draft report issued 9 August 2019. SBDC – in progress.	
Cash and Bank	3	7		Start date 9 December 2019

System	Planned Quarter	Days	Current Status	Comments
Treasury Management	3	7		Start date 19 November 2019
ICT – Annual Network Audit	2	6		
ICT – Network Infrastructure	2	6	Draft report issued 2 September 2019	
ICT – Information Management	2	6	Draft report issued 30 August 2019	
Housing Allocations and Homelessness/Temp Accommodation	2	8	In progress	
Disabilities Facilities Grant	1	5	Final report issued 1 July 2019	
Leisure Contract	2	8		This will be a Quarter 3 audit
Waste services (Chiltern, Wycombe and South Bucks)	2	11		This will be a Quarter 3 audit
Car Parking	2	7	Final report issued 10 September 2019	
Commercial Rents/debt recovery	1	8		This will be a Quarter 3 audit
Equalities	3	0(8)		Audit Cancelled
Contractor Health & Safety audit	3	8		Start date 23 September 2019 This provides risk management assistance to officers throughout the year including risk workshops
Risk Management Assistance	1-4	15		
<u>Farnham Park</u>				
Farnham Park Leases	1	6	Draft report issued 11 September 2019	
Stores, Shop and Bar at Golf Club	1	6	Final report issued 18 July 2019	

KEY:

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

Recommendations – Priority 1 and 2 Only

Audit Report: ICT Annual Network Audit (2018/19 audit)
Report Issued: 9 July 2019

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	<p>An Intrusion Prevention System (IPS) monitors network activity to identify and block any security threats or malicious activity.</p> <p>A new Juniper firewall platform had been deployed to protect the Chiltern and South Bucks domain. The juniper appliance included an IPS module. However, at the time of the review the IPS system had yet to be configured to automatically block all malicious network traffic.</p> <p>Technical support for the Council's network infrastructure is provided by MLL Telecom. It was advised by the Infrastructure Manager that a quote would be requested from MLL Telecom on the cost to set up and configure the IPS signature database.</p>	Management to ensure that the IPS system is configured to automatically block at source all malicious network traffic.	2	<p><i>Quote was received / accepted and work commissioned. Service now partially in place.</i></p> <p><i>After commissioning on the 10th of May it was found that the recommended policy was impacting traffic to the DMZ so this had to be rolled back. Meeting in the diary for early July to discuss with MLL how to take this forward. The main internet traffic is being monitored.</i></p>	<p>24/04/19 – Licence activated and signatures downloaded</p> <p>10/05/19 – Go live</p> <p>TBC – complete DMZ filtering</p>	ICT Security & Compliance Manager

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	<p>Firewall rules determine the source, destination and type of network traffic permitted through the Council's firewall.</p> <p>Technical support for the Juniper firewall platform has been contracted out to MLL Telecom. All changes to firewall rules must be documented and authorised. However, at the time of the review no process existed to ensure that firewall rules were subject to regular and evidenced review.</p> <p>The failure to regularly review and validate firewall rules increases the risk of denial of service attack through the existence of insecure or unencrypted network services.</p>	Management to ensure that firewall rules are subject to regular and evidenced review.	2	<i>Read only access to the firewall has been provided to CDC (October 2018). As a result the Security & Compliance Manager can now review the rule base and is correcting (where appropriate) as this is also a requirement for PCI-DSS compliance.</i>	Ongoing	ICT Security & Compliance Manager
3	Compliance	<p>Firewall administrators have the ability to create, amend, delete or export firewall rules. All firewall administrators should be assigned individual and unique firewall accounts. At the time of the review, TIAA were unable to obtain a list of Juniper firewall administrator accounts.</p>	Management to ensure Firewall administration access rights are subject to regular review. Administration access rights be restricted to valid and uniquely identifiable user accounts.	2	<i>Read only access to the firewall has been provided to CDC (October 2018). As a result the Security & Compliance Manager can review certain administration details. As this is a managed service MLL have their own policies of which we have obtained copies.</i>	Completed	ICT Security & Compliance Manager

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	Robust password and account lockout policies should be invoked on all firewall appliances to prevent unauthorised access and/or changes to firewall security settings. TIAA were unable to obtain sight of the Juniper password policy.	Management to ensure that robust password policies are enforced to prevent unauthorised access to the live firewall application.	2	<i>Read only access to the firewall has been provided to CDC (October 2018). As a result the Security & Compliance Manager can review certain administration details. As this is a managed service MLL have their own policies of which we have obtained copies.</i>	Completed	ICT Security & Compliance Manager
5	Compliance	Responsibility for patching of the Council's firewall estate has been devolved to MLL Telecom. Audit testing on the Juniper system disclosed that the firewall was last patched in March 2018. The failure to regularly identify and apply security patches contravenes CES guidelines and heightens the risk of unauthorised access to the Council's network domain.	Management to ensure that the Juniper firewall platform is subject to regular security patching.	2	<i>Copy of the MLL policy on patching obtained and reviewed. A recent planned upgrade had to be rolled back due to a technical issue which is now with Juniper. Read only access to the firewall has been provided to CDC (October 2018). As a result the Security & Compliance Manager can review certain administration details and will monitor the patch status.</i>	Completed	ICT Security & Compliance Manager

Audit Report: Housing Section 106 (2018/19 audit)
Report Issued: 2 July 2019

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	At the time of the previous review, there was no single officer assigned responsibility for monitoring section 106 agreements and financial contributions. It was noted that a post has now been created within the Planning Enforcement team, although at the time of this review this post was vacant and the position was being covered by other members of the team. When the previous audit of this area was carried out, a draft procedure note was in place with respect to the responsibilities of individual officers and departments for managing agreements and the monitoring of financial contributions. Discussions with officers indicated that these procedures were never finalised; at present, while in practice there are a number of standardised elements to the processes involved, there is no formally documented process to be followed and roles and responsibilities are not clearly defined.	Procedure notes be finalised with respect to the responsibilities of individual officers and departments for managing Section 106 Agreements and Affordable Housing Contributions.	2	<i>Agreed recommendation plus an additional action proposed to undertake recruitment to the vacant S106 officer role within the same timescale.</i>	End September 2019	Planning Enforcement Manager

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	A review of the section 106 master monitoring spreadsheets highlighted that these were very large documents, with the majority of columns not being used in practice. Sample testing also highlighted inconsistencies in the level of detail being recorded on these spreadsheets in relation to financial contributions. The Uniform system also has the functionality to record details in relation to legal agreements that are entered into, including the contributions expected and received. However, this functionality is only being used in a very limited manner at present, and has not been incorporated into any standard processes for section 106 agreements.	Section 106 master spreadsheets be reviewed and rationalised to ensure that these are user friendly and capture all relevant monitoring data, with Uniform functionality to be explored to assess its effectiveness in recording and monitoring section 106 obligations.	2	<i>Agreed recommendation. The role of the s106 post is to ensure an up-to-date record of the s106 agreements is kept and maintained.</i>	December 2019	Section 106 Officer
3	Compliance	Sample testing highlighted one case where the payment date had passed, however no action had yet been taken to recover the amounts due. As there are a number of different triggers for payment and these are not always being recorded within the master monitoring spreadsheets, the risk of payments becoming overdue without action being taken is increased.	Action be taken to ensure that payment triggers are appropriately recorded in order to allow for prompt quick recovery action when payments from developers become overdue.	2	<i>Agreed recommendation – As above the role of the s106 post is to ensure an up-to-date record of the s106 agreements is kept and maintained and that the date of payment is recognised, diarised, pursued and that enforcement action be instigated where necessary.</i>	December 2019	Section 106 Officer

Audit Report: Stores, Shop and Bar at the Golf Club
Report Issued: 18 July 2019

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	The year-end stock count of the Golf shop was carried out on 28th March 2019. A review of the stock take report highlighted that a variance of £1,007 was recorded compared with a total stock value of £14,415, i.e.7% of total stock value.	The processes for reconciling physical shop stock with ESP stock balance be more regularly carried out to ensure that stock variances are eliminated.	2	<p><i>Additional stock checks will take place 3 times per year to be carried out by Golf staff</i></p> <p><i>Random stock checks of a minimum of 5 items will be checked against ESP figures</i></p>	<p>31.07.19</p> <p>31.10.19</p> <p>31.01.20</p> <p>31.08.19</p> <p>30.09.19</p> <p>30.11.19</p> <p>28.02.20</p>	<p><i>Operations Manager</i></p> <p><i>Operations Manager</i></p>

Audit & Standards Committee

SUBJECT:	2018/19 Statement of Accounts
REPORT OF:	Director of Resources – Jim Burness
RESPONSIBLE OFFICER	Director of Resources – Jim Burness
REPORT AUTHOR	Accountancy Manager – Victoria Green 01494 732292 victoria.green@chilternandsouthbucks.gov.uk
WARD/S AFFECTED	All

1 Purpose of Report

1.1 The purpose of this report is to:

- Present the 2018/19 Statement of Accounts for Members to review.
- Request that the Accounts are approved by the Audit & Standards Committee and signed in accordance with the Accounts and Audit Regulations.

RECOMMENDATIONS

The Accounts are approved by the Audit & Standards Committee and signed by the chair of the Audit & Standards 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 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 31 May;
- Be subject to external audit;
- Be made available to the public for inspection;
- Be approved by Members
- Be published.

2.3 The deadline for Member approval and final publishing is not later than 31st July, unless the external audit has not been concluded.

In which case an authority must:

- a) publish as soon as reasonably practicable on or after 31st July a notice stating that it has not been able to publish the statement of accounts and its reasons for this; and
- b) approve and publish the accounts as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit.

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 £10,407,000.
 - 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 £2,463,000.
 - 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 £7,566,000.

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 increased by £793,000 to £3,193,000. This is mainly due to adjustments relating to retained income from Non-Domestic Rates.
 - Earmarked reserves decreased by £3,639,000 to £1,602,000. This is mainly due to use of reserves to finance capital expenditure.
 - The Authority's Capital Receipts Reserve were fully utilised in 18/19. This is because receipts of £359,000 were used to fund the 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 2018/19 the Director of Resources recommended the minimum level for this reserve was £910,000.
- 7.4 The key movement in the Council's unusable reserves is as follows:
- The Pensions deficit decreased by £1,492,000. The accumulated estimated pension fund deficit now stands at £28,737,000.

8 Capital Expenditure (Note 22)

- 8.1 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.
- 8.2 Total capital expenditure for the year amounted to **£5,335,000**. This was financed from capital receipts, Government grants and contributions, and internal borrowing.

9 Balance Sheet

- 9.1 The balance sheet reports on the Council's financial position as at 31 March and shows the value of its assets and liabilities.
- 9.2 The following table provides a summary of the Council's key assets and liabilities:

	Value 31 March 2019 £m
Assets	
Property, Plant and Equipment	24.2
Investment Property	6.7
Investments, Cash and Bank holdings	11.7
Long Term Debtors	1.6
Long Term Debtors – Consilio Loan	5.5
Short Term Debtors	6.6
Liabilities	
Short Term Creditors	7.2
Short Term Provisions	1.6
Finance Lease Liability	3.0
Pension Liability	28.7

- 9.3 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 actual 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.

10 Cashflow Statement

- 10.1 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
- 10.2 It shows that in 2018/19 the authority increased the amount of cash and cash equivalents that it holds by £3,911,000.

11 Notes to the Accounts

- 11.1 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.
- 11.2 Detailed below is a commentary on a number of the key notes.

Note 1: Accounting Policy

This note 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 6: 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 8: Earmarked Reserves

This note gives a breakdown of the amounts held in Earmarked Reserves. Particularly, it shows that of the £1,602,000 held as Earmarked, £1,002,000 is for S106 commuted sums.

Note 9: 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 10: 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 Council 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 12: Financial Instruments

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

Note 18: Officer's Remuneration

This note shows the amounts paid to senior staff in 2018/19. As the Senior Management team are shared with CDC, all shared staff are shown in this note; although SBDC only bears 42% of the cost.

Note 23: 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 24: 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 26: 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.

12 Collection Fund

- 12.1 The Collection Fund is a separate account which receives all income from Council Tax and Non Domestic Rates (NDR).

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- 12.2 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.
- 12.3 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%
- 12.4 Any surplus, or deficit, arising on the account is either paid out to, or recovered from, the appropriate parties in subsequent years.
- 12.5 During 2018/19 £58.4m of Council Tax income was due and £31.1m of NDR income was due

13 Auditors' Report

- 13.1 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.
- 13.2 Once their audit is completed they issue a formal opinion on the Accounts and this has to be included in the Accounts.
- 13.3 The External Audit is substantially complete and the Audit Results Report is included as a separate agenda item to the 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.

14 Annual Governance Statement

- 14.1 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.
- 14.2 The Annual Governance Statement is additional to the main Accounts document as it is prepared and produced separately from the accounting information.
- 14.3 This statement was considered by the Audit & Standards Committee at its meeting on the 9th April.

15 Formal Approval of the Accounts

- 15.1 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.

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15.2 The Chairman of the Audit & Standards Committee is therefore requested to sign the declaration in the financial statements once Members have considered the Accounts.

16 Member Review of the Accounts

16.1 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.

16.2 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.

17 Corporate Implications

17.1 There are no direct financial, legal or human resources implications from this report.

18 Next Steps

18.1 Once the Statement of Accounts has been formally signed by the Chairman of the Committee they will be formally adopted by the Council.

Background Papers:	None
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SOUTH BUCKS

District Council

Statement of Accounts

For the year ended 31 March 2019

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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 70,000. 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. The Conservative Group holds 23 seats and controls the Council. There are 2 Denham Conservatives, 1 Taplow Conservative and 2 independent members.

The Authority 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.
- Customer Services and Business Support - Housing Benefits, Council Tax and Non-Domestic Rate collection, Customer Services, and ICT.
- Environment - Refuse and waste, recycling, street cleaning, damaged and threatened land, cemeteries, and Council car parks.
- 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.
- Planning and Economic Development - Development management, building control, planning enforcement, trees and conservation, economic development, planning policy and the Local Development Framework.
- Resources – Financial strategy, asset and investment management, legal, democratic services, land charges, audit and finance.

Further information about the Authority can be obtained from the following website address:

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.

The 2017/18 accounts have been restated due to the CIPFA requirement to remove overhead recharges. Overhead recharges have a net balance of nil, therefore this change does not affect the overall total on provision of services. This is a presentation change only.

The statements summarise the overall financial position of the Authority 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 Authority and the balances and reserves at the Authority'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 Authority 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 19th 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. Consilio Property Limited

On 19th July 17, SBDC agreed to establish a wholly owned local authority trading company to allow the Council to exercise the power to trade contained in the Local Government Act 2003 and the Localism Act 2011 to facilitate income generation.

Consilio Property Limited was subsequently registered on 15 September 17.

As the shareholder the Council does not directly manage the company; that is the responsibility of the Company Board.

The Council monitors the Company performance through approving the annual Business Plan, and at the shareholders meeting where it receives the annual report and accounts.

Council officers on the Board have a responsibility to the company, separate from their responsibilities to the Council when they are operating in their substantive roles.

In December 2018 Consilio purchased its first investment, a Travelodge hotel in the centre of Hemel Hempstead. The lease has 35 years unexpired on Full Repairing and Insuring terms with a Landlord put option for a further 15 years, at low market rent with rent reviews every 5 years by reference to RPI + 75pbs. This investment produced a net initial yield of 4.75% which is typical in the current market where longer lease assets are highly prized which is driving down yields. The investment will provide an initial revenue stream of £243,880 pa.

Given the value of this investment, Consilio is now a significant company and thus for the first time in 2018/19 SBDC is required to produce Group Accounts showing both the activities of SBDC and the combined group of SBDC plus Consilio.

5. Financial Context

The Council continues to be in a period of challenge for local authorities, as it is faced with having to maintain and improve key services in a time of reducing resources. The Authority 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 27th February 2018 the Council set its budget for 2018/19 to take account of the continuing material reduction in funding to the Authority as shown in the following table.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Business Rate Baseline	11,701	11,925	12,024	11,712	12,200
Business Rate Tariff	-10,716	-10,921	-11,012	-10,680	-11,136
Baseline Need	985	1,004	1,012	1,032	1,064
Revenue Support Grant	1,161	871	436	57	0
Transitional Grant	0	0	80	80	0
Total	2,146	1,875	1,528	1,169	1,064
Year on Year Change (£k)		-271	-347	-359	-105
Year on Year Change (%)		-13%	-19%	-23%	-9%

The 2018/19 budget incorporated over £600,000 of savings, budget reductions and increased income.

6. Financial Outturn

Revenue Income and Expenditure

The table below summarises the Authority's revenue income and expenditure and compares the budget for the year with the actual expenditure. It also shows how the overall Authority 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
Leader	563	526	-37
Environment	1,710	1,738	28
Healthy Communities	1,268	1,080	-188
Customer Services and Business Support	1,192	1,299	107
Resources	2,196	2,347	151
Planning and Economic Development	866	941	75
Net Cost of Services	7,795	7,931	136
Interest & Investment Income	-150	-219	-69
Notional Interest Payable	193	193	-
Borrowing Costs - Interest	-	19	19
Transfer from LDD Reserve	-393	-138	255
Transfer from Revenue Reserves	-47	-30	17
Budget Requirement	7,398	7,756	358

	Budget £'000	Outturn £'000	(Under)/ Over Spend £'000
Council Tax Payers	-5,167	-5,167	-
Non-Domestic Rates (NDR)	-1,064	-1,064	-
Non-Domestic Rates (NDR) - General Grants	-923	-923	-
Non-Domestic Rates (NDR) - Growth	-77	-141	-64
Levy Payable on Business Rates Growth	500	422	-78
General Grants - New Homes Bonus	-556	-556	-
General Grants - Other	-85	-43	42
Collection Fund Council Tax Deficit	-26	-26	-
Collection Fund NDR Deficit (From NNDR1)	-	-1,051	-1,051
Net (Surplus) for the Year	-	-793	-793

The following table then reconciles the above figures to the figures in the Statement of Accounts (see note 6 for more details).

Deficit on Provision of Services (From Comprehensive Income and Expenditure Statement)	3,431
Adjustments between Accounting Basis and Funding Basis	-584
Net Transfer to Earmarked Reserves	-3,640
(Increase) in General Fund Reserve	-793

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 Authority's usable reserves are as follows.

- The General Fund Balance increased by £793,000 to £3,193,000.
- Earmarked reserves decreased by £3,639,000 to £1,602,000.
- The Authority's Capital Receipts Reserve were fully utilised in 2018/19. This is because receipts of £359,000 were used to fund the capital investment programme.

The key movement in the Authority's unusable reserves is as follows.

- The Pensions deficit decreased by £1,492,000. The accumulated estimated pension fund deficit now stands at £28,737,000.

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 £5,335,000. This was financed from internal capital receipts, borrowing and central Government grants. Further details are shown in note 22.

Financial Position at Year End

The Balance Sheet shows the Authority's assets and liabilities as at 31 March and the following table provides a summary of the Authority's key assets and liabilities.

	Value 31 March 2018 £m	Value 31 March 2019 £m
Assets		
Property, Plant and Equipment	16.3	24.2
Investment Property	10.8	6.7
Investments, Cash and Bank holdings	15.9	11.7
Long Term Debtors	1.7	1.6
Long Term Debtors – Consilio Loan	-	5.5
Short Term Debtors	8.4	6.6
Liabilities		
Short Term Creditors	8.1	7.9
Short Term Provisions	1.5	1.6
Finance Lease Liability	3.2	3.0
Pension Liability	30.2	28.7

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 £45.6m and the liability £74.3m giving a net deficit of £28.7m as at 31 March 2019.

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 2018/19 the amount of cash and cash equivalents held by the Authority increased by £3,911,000.

Collection Fund

The Collection Fund Statement shows the transactions of the Authority as a billing authority in relation to council tax and non-domestic rates.

In 2018/19 SBDC raised £58.4m 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 2018/19 (£57.9m) equals the amount that was requested as part of the 2018/19 budget setting process.

In 2018/19 SBDC raised £31.1m 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 2018/19.

7. Financial and Non-Financial Performance

In 2018/19 South Bucks District Council has:

- Prepared the Local Plan for consultation, which will help shape future development in the district up until 2036.
- Appointed an Economic Development Team.
- Started building new temporary accommodation at the former Bath Road depot site.
- Obtained planning permission for the redevelopment of the Gerrards Cross Police Station site for housing.
- Transferred the Revenues and Benefits service back in house.
- Improved the recycling rate to 58.4%.
- Collected 97.8% of the Council Tax amounts due and 98.8% of the Business Rates amounts due, and won IRRV Revenues Team of the Year (District Authority).

8. 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 2018/19.
- There are no significant changes in accounting policy to report.
- The Authority borrowed £5.478m from the PWLB to help facilitate the purchase of assets by Consilio.
- There are no significant contingencies or material write offs to report.
- There are no material events after the reporting date to report.

9. Future Plans / Unitary Authority

On 1 November 2018 the Secretary of State for the Ministry of Housing Communities and Local Government announced the creation of a new single unitary district council that will cover the whole of Buckinghamshire, excluding Milton Keynes.

This means that the following Councils will cease to exist on 31 March 2020 Aylesbury Vale District Council, Buckinghamshire County Council, Chiltern District Council, Wycombe District Council and South Bucks District Council. These councils will be replaced by a new district unitary authority called Buckinghamshire Council.

2019/20 will therefore be the final year of existence for South Bucks District Council.

In this final year 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 for inspection, which will help shape future development in the area up until 2036.
- Ensure our open spaces and leisure facilities are suitable for the needs of our residents now and in the future, including the development of a country park.
- Complete the delivery of the Housing Strategy to help people in need to secure appropriate housing, and reduce the use of expensive nightly booked temporary accommodation.
- Mitigate the impact of major infrastructure projects arising from planning development, by working with partners.
- 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 of 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 or prepare a number of investment projects including:

- Increasing off street car parking spaces in our main centres.
- Starting to develop property to meeting housing needs
- Commercial investments to meet service objectives.

These projects may result in the Authority undertaking some long term borrowing to help fund these.

10. Further Information

Further information on the financial affairs of the Authority 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 2019 and its income and expenditure for the year then ended.

Director of Resources

Date: 31 May 2019

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.

2017/18 (Restated)				N	2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
885	-132	753	Leader Portfolio		840	-150	690
4,763	-2,296	2,467	Environment Portfolio		4,713	-2,330	2,383
3,280	-1,500	1,780	Healthy Communities Portfolio		2,529	-772	1,757
17,331	-15,761	1,570	Customer Services & Business Support		16,581	-14,956	1,625
3,815	-1,066	2,749	Resources Portfolio		3,453	-887	2,566
2,728	-1,611	1,117	Planning and Economic Development		2,241	-855	1,386
32,802	-22,366	10,434	Cost of Services		30,357	-19,950	10,407
			Other Operating Expenditure				
		2,241	Parish Council Precepts				2,463
		-	(Gain) / loss on disposal of non-current assets				-37
		41	Pension Administration Expenses	24			37
			Financing and Investment Income and Expenditure				
		211	Interest element of finance leases				193
		834	Pensions net interest cost	24			756
		-	Loan interest cost				19
		-163	Investment interest receivable	12			-219
		-202	(Gain) / loss on investment properties	10			-318
			Taxation and Non-Specific Grant Income and Expenditure				
		-7,240	Council tax income				-7,566
		-13,200	Non domestic rates income				-12,539
		10,756	Non domestic rates expenditure -Tariff				11,080
		719	Non domestic rates (safety net grant)/levy				422
		-57	Revenue Support Grant				-
		-80	Transition Grant				-
		-1,105	New Homes Bonus				-556
		-683	Non service related government grants				-709
		-14	Capital Grants and Contributions				-
		2,492	(Surplus) or Deficit on Provision of Services				3,431
		718	(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	9			-
		33	(Surplus) or deficit on revaluation of available for sale financial assets	12			-
		-2,566	Remeasurements of the net defined benefit liability	24			-2,952
		-1,815	Other Comprehensive Income & Expenditure				-2,952
		677	Total Comprehensive Income & Expenditure				479

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.

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	Absence Reserve	Total Unusable Reserves	Total Reserves
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Movement in Reserves 2018/19

Balance as at 31 March 2018	2,400	5,241	359	300	4,350	12,650	8,390	-30,229	19,096	60	293	56	90	-96	-2,340	10,310
Adjustment to opening balances as a result of the adoption of IFRS9	-	-	-	-	-	-	-	-	-	-	-56	-	-	-	-56	-56
Total Comprehensive Income & Expenditure	-3,431	-	-	-	-	-3,431	-	2,952	-	-	-	-	-	-	2,952	-479
Adjustments between accounting basis & funding basis under regulations (Note 6)	584	1	-359	95	-	321	-73	-1,460	2,353	-91	-1,055	-	-1	-	-327	6
Net Increase / Decrease before Transfers to Earmarked Reserves	-2,847	1	-359	95	0	-3,110	-73	1,492	2,353	-91	-1,055	-56	-1	0	2,569	-541
Transfers to / from Earmarked Reserves (Note 8)	3,640	-3,640	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease (movement) in Year	793	-3,639	-359	95	0	-3,110	-73	1,492	2,353	-91	-1,055	-56	-1	0	2,569	-541
Balance as at 31 March 2019	3,193	1,602	-	395	4,350	9,540	8,317	-28,737	21,449	-31	-762	0	89	-96	229	9,769

Movement in Reserves 2017/18

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
Total Comprehensive Income & Expenditure	-2,493	-	-	-	-	-2,493	-718	2,566	-	-	-33	-	-	-	1,815	-678
Adjustments between accounting basis & funding basis under regulations (Note 6)	1,450	-883	-497	213	-	283	-73	-1,311	-5	9	1,193	-	-	-96	-283	-
Net Increase / Decrease before Transfers to Earmarked Reserves	-1,043	-883	-497	213	-	-2,210	-791	1,255	-5	9	1,193	-33	-	-96	1,532	-678
Transfers to / from Earmarked Reserves (Note 8)	504	-504	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease (movement) in Year	-539	-1,387	-497	213	-	-2,210	-791	1,255	-5	9	1,193	-33	-	-96	1,532	-78
Balance as at 31 March 2018	2,400	5,241	359	300	4,350	12,650	8,390	-30,229	19,096	60	293	56	90	-96	-2,340	10,310

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.

31 March 2018 £'000		Notes	31 March 2019 £'000
16,353	Property, Plant & Equipment	9	24,174
63	Heritage Assets		63
10,834	Investment Property	10	6,705
236	Intangible Assets	11	214
3,590	Long Term Investments	12	370
1,677	Long Term Debtors	13	1,584
-	Long Term Debtors – Consilio Loan		5,478
32,753	Long Term Assets		38,588
5,044	Short Term Investments	12	176
8,376	Short Term Debtors	13	6,564
7,277	Cash and Cash Equivalents		11,188
20,697	Current Assets		17,929
-7,883	Short Term Creditors	14	-7,171
-1,528	Short Term Provisions	15	-1,649
-303	Short Term Finance Lease Liabilities	23	-321
-236	Receipts in Advance	14	-751
-9,950	Current Liabilities		-9,892
-	Long Term Borrowing		-5,478
-2,961	Long Term Finance lease Liabilities	23	-2,641
-30,229	Pensions Liabilities	24	-28,737
-33,190	Long Term Liabilities		-36,856
10,310	Net Assets		9,769
12,650	Usable reserves *		9,540
-2,340	Unusable Reserves*	16	229
10,310	Total Reserves		9,769

*See Movement in Reserves Statement for further details.

The unaudited accounts were issued on 31 May 2019.

Director of Resources

Date: 31 May 2019

Cash Flow Statement

Appendix

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.

2017/18 £'000		2018/19 £'000
-2,493	Net surplus or (deficit) on the provision of services	-3,063
514	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4,409
-24	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-12
-187	Interest received	-218
211	Finance lease interest (received) / paid	193
-1,979	Net cash flows from Operating Activities	1,309
	Investing Activities	
-1,311	Purchase of property, plant & equipment, investment property & intangible assets	-4,070
-10,000	Purchase of short-term investments	-4,000
13,101	Proceeds from short-term investments	12,031
72	Other (receipts)/payments for investing activities	-5,435
	Financing Activities	
-	Cash Receipt of Long Term Borrowing	5,478
-285	Change in the outstanding liabilities relating to finance leases	-303
1,439	Other receipts / (payments) for financing activities: Change in NNDR amount due to Government and preceptors	-900
-251	Other receipts / (payments) for financing activities: Change in Council Tax amount due	-199
786	Net increase or (decrease) in cash and cash equivalents	3,911
6,491	Cash and cash equivalents at the beginning of the reporting period	7,277
7,277	Cash and cash equivalents at the end of the reporting period	11,188
1,203	Bank current accounts	2,527
6,074	Short-term deposits / Money Market Funds	8,661
7,277		11,188

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, 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 that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 (including services provided by employees) 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, ie 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. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council Tax and Non-Domestic Rates

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 (CIES) 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 CIES 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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.

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. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 – ie 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 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), ie 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 net interest on the net defined benefit 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 such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits – The 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 (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This usually means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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-ring-fenced 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 a material interest in a company that has the nature of a subsidiary. This requires it to prepare group accounts. For further information see Note 21.

In the Authority's own single-entity accounts, the interest in the company is recorded as a financial asset at cost, less any provision for losses.

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 of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the 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 (ie 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 (ie 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 (ie 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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie 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 (ie 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 or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). 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 that 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 or by borrowing a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so 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 or 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 that have been Issued but Not Yet 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 2018/19 (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 2019/20 financial statements. However the Authority is required to make disclosure of the estimated effect of the new standards in these (2018/19) financial statements.

The 2019/20 Code has adopted:

- Amendment to IAS40 Investment Property: Transfers of Investment Property
- Amendments to IFRS12 Disclosure of Interests in Other Entities
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The specific changes made to the standards listed above are not applicable to South Bucks District Council therefore no further disclosures are required in 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 2019 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 Authority 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 £41k for every year that useful lives had to be reduced
Debtor Arrears	At 31 March 2019, the Council had a balance of invoiced sundry debts of £3,222k. Review suggested that an impairment of doubtful debts of 30% (£967k) was appropriate.	If collection rates were to deteriorate, increasing the impairment of doubtful debts by 10% would require an additional £322k to be set aside.
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 £1,649k 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 £165k 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 Authority with expert advice about the assumptions to be applied. The value of the pensions liability in the balance sheet is £28,737k.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1,276k.
Accruals	Accruals are estimated based on goods or services which have been received but not yet invoiced. The value of estimated creditors is £1,909k. Estimated debtors are based on invoices which were not raised prior to 31 March 2019. The value of estimated debtors is £902k.	If there is a difference of 1% on the value of the actual invoice received, this would equate to £191k. A difference of 1% on the value of the actual debtors invoice raised would equate to £9k.

5. Events after the Reporting Period

The unaudited Statement of Accounts were issued by the Director of Resources on 31 May 2019.

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 2019, 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 2019 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. 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

2018/19	Services within the General Fund							Total General Fund	Other Usable Reserves	Capital Receipts Reserve	Unusable Reserves
	Leader Portfolio	Environment Portfolio	Healthy Communities Portfolio	Resources Portfolio	BS & CS Portfolio	Plan & Ec Devlp Portfolio	Other Income & Expenditure				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000				
Net Expenditure Chargeable to the General Fund (Per Internal Monitoring)	526	1,738	1,080	2,347	1,299	941	-8,722	-791			
Adjustment for Earmarked Reserves	7	5	453	308	10	-	2,857	3,640			
Net Expenditure Chargeable to the General Fund	533	1,743	1,535	2,655	1,309	941	-5,865	2,849			
Adjustments to the Revenue Resources											
<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)	157	105	142	-360	176	445	795	1,460			-1,460
- Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	-	-	-	-	-	-	1,141	1,141	-	-	-1,141
- Charges for depreciation and impairment of non-current assets (these items are charged to the Capital Adjustment Account)	-	535	70	197	140	-	-	942	-	-	-942
- Amortisation of Intangible Assets (these items are charged to the Capital Adjustment Account)	-	-	-	73	-	-	-	73	-	-	-73
- Revaluation losses on Property, Plant & Equipment (these items are charged to the Capital Adjustment Account)	-	-	-	-	-	-	-	-	-	-	-
- Movement in the fair value of investment properties (these items are charged to the Capital Adjustment Account)	-	-	-	-	-	-	-60	-60	-	-	60
- Amounts of non-current assets written off on disposal	-	-	-	-	-	-	-	-	-	-	-
Total Adjustments to Revenue Resources	157	635	212	-90	316	445	1,881	3,556	-	-	-3,556
Adjustments between Revenue and Capital Resources											
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	672	-	-	-	-2,984	-2,312	-	-	2,312
Total Adjustments between Revenue and Capital Resources	-	-	672	-	-	-	-2,984	-2,312	-	-	2,312
Adjustments to Capital Resources											
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-660	-	-	-	-	-660	-	-359	1,019
Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	1	95	-96
Total Adjustments to Capital Resources	-	-	-660	-	-	-	-	-660	1	-264	923
Total Adjustments between the Funding and Accounting Basis	157	635	224	-90	316	445	-1,103	584	1	-264	-321
Net Expenditure in the Comprehensive Income and Expenditure Statement	690	2,378	1,757	2,565	1,625	1,386	-6,968	3,433			

Notes to the Accounts

2017/18 (Restated)	Services within the General Fund							Total General Fund	Other Usable Reserves	Capital Receipts Reserve	Unusable Reserves
	Leader Portfolio	Environment Portfolio	Healthy Communities Portfolio	BS & CS Portfolio	Resources Portfolio	Plan and Ec Devlp Portfolio	Other Income & Expenditure				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000				
Net Expenditure Chargeable to the General Fund (Per Internal Monitoring)	600	1,566	1,488	2,514	1,226	747	-7,601	539			
Adjustment for Earmarked Reserves	33	64	193	67	287	-30	-110	504			
Net Expenditure Chargeable to the General Fund	633	1,630	1,681	2,801	1,293	717	-7,711	1,043			
Adjustments to the Revenue Resources											
<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)	110	72	157	110	-379	366	875	1,311	-	-	-1,311
- Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	-	-	-	-	-	-	-1,202	-1,202	-	-	1,202
- Holiday Pay (transferred to the Accumulated Absences Reserve)	12	10	18	7	17	33	-	96	-	-	-96
- Charges for depreciation and impairment of non-current assets (these items are charged to the Capital Adjustment Account)	-	755	69	161	236	-	-	1,221	-	-	-1,221
- Amortisation of Intangible Assets (these items are charged to the Capital Adjustment Account)	-	-	-	-	73	-	-	73	-	-	-73
- Movement in the fair value of investment properties (these items are charged to the Capital Adjustment Account)	-	-	-	-	-	-	95	95	-	-	-95
Total Adjustments to Revenue Resources	122	837	244	278	-53	399	-232	1,595	-	-	-1,595
Adjustments between Revenue and Capital Resources											
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	470	-	-	-	-	470	-	-	-470
Total Adjustments between Revenue and Capital Resources	-	-	470	-	-	-	-	470	-	-	-470
Adjustments to Capital Resources											
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	-	-	-	-	-497	497
Application of capital grants to finance capital expenditure	-	-	-615	-	-	-	-	-615	-883	213	1,285
Total Adjustments to Capital Resources	-	-	-615	-	-	-	-	-615	-883	-284	1,782
Total Adjustments between the Funding and Accounting Basis	122	837	99	278	-53	399	-232	1,450	-883	-284	-283
Net Expenditure in the Comprehensive Income and Expenditure Statement	753	2,467	1,780	2,748	1,570	1,117	-7,943	2,492			

7. Income and Expenditure Analysed by Nature

	2017/18 Restated £'000	2018/19 £'000
Income		
Fees, Charges and other service income	-6,295	-5,264
Interest and investment income	-163	-219
Council Tax income	-7,240	-7,566
Non Domestic Rates income	-2,444	-783
Government grants and contributions	-17,955	-16,677
Fund from reserves	340	-4
(Gain) / loss on disposal of non-current assets	-	-37
	-33,757	-30,550
Expenditure		
Employee expenses	4,990	4,007
Housing Benefit payments	16,059	14,771
Capital financing costs	1,122	1,015
Other operating expenses	11,625	11,522
Interest element of finance leases	211	211
Precepts	2,241	2,463
Revaluation of non-current assets	-	-6
	36,249	33,983
(Surplus)/deficit (CI&E Account)	2,492	3,433

8. Earmarked Reserves / Capital 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 2018 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2019 £'000
Allocated Funding	6	-6	6	6
National Infrastructure	80	-2	-	78
Bequests	12	-12	-	-
Disasters / Emergencies	27	-	-	27
Insurance	14	-	-	14
Local Development Fund	515	-138	-	377
Economic Development	50	-27	-	23
Farnham Royal Pump	7	-	-	7
Russo Burial Trust	1	-	-	1
Lottery Projects Reserve	-	-	3	3
Transformation Reserve	81	-18	-	63
S106 Housing Reserve	4,448	-3,594	148	1,002
	5,241	-3,797	157	1,601

9. Property, Plant and Equipment

	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
Cost or valuation:							
As at 1 April 2018	11,303	2,839	1,540	5,550	350	158	21,740
Additions	119	115	4,301	63	-	-	4,598
Transfers	-	-	4,152	-	-	-	4,152
Disposals	-	-	-	-43	-	-	-43
As at 31 March 2019	11,422	2,954	9,993	5,570	350	158	30,447
Depreciation & Impairments:							
As at 1 April 2018	-186	-620	-326	-3,905	-350	-	-5,387
Disposal Depreciation	-	-	-	43	-	-	43
Charge for year	-95	-266	-	-569	-	-	-930
At 31 March 2019	-281	-886	-326	-4,431	-350	-	-6,273
Net book value at 31 March 2019	11,141	2,068	9,667	1,139	-	158	24,174

Comparative movements in 2017/18	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
Cost or valuation:							
As at 1 April 2017	12,298	2,718	704	6,043	350	158	22,271
Additions	62	121	227	95	-	-	505
Transfers	-1,057	-	1,057	-	-	-	-
Disposals	-	-	-	-588	-	-	-588
Revaluation increases / (decreases) recognised in the revaluation reserve	-	-	-718	-	-	-	-718
Other movements in cost or valuation	-	-	270	-	-	-	270
As at 31 March 2018	11,303	2,839	1,540	5,550	350	158	21,740
Depreciation & Impairments:							
As at 1 April 2017	-95	-368	-	-3,671	-350	-	-4,484
Transfer Depreciation	56	-	-56	-	-	-	-
Other movements in depreciation and impairments	-	-	-270	-	-	-	-270
Disposal Depreciation	-	-	-	588	-	-	588
Charge for year	-147	-252	-	-822	-	-	-1,221
At 31 March 2018	-186	-620	-326	-3,905	-350	-	-5,387
Net book value at 31 March 2018	11,117	2,219	1,214	1,645	-	158	16,353

Major Assets Held

	Number at 31 March 2019
Council Offices - Held under Finance Lease	1
Refuse, Recycling & Street Cleaning Vehicles - Acquired under Finance Lease	4
Refuse, Recycling & Street Cleaning Vehicles - Owned	27
Off-street car parks	13
The South Bucks County Park	1
Sports centres	1
Cemeteries & memorial gardens	4
Public conveniences	3

Impairment Losses

During 2018/19, the Authority has recognised an impairment loss of £nil (2017/18 £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

SBDC have various major ongoing projects, such as 801 & 811 Bath Road, which is almost complete and Tatling End development. Contracts which have been signed, relate to Bath Road Projects with an outstanding capital commitment of £465k and Tatling End with a capital commitment of £6,406k.

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, 3rd Floor, 55 New Oxford Street, London WC1A 1BS.

	Land & Buildings (incl 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	119	115	9,993	5,570	350	158	16,305
Valued at Fair Value as at							
1 April 2016	11,303	2,839	-	-	-	-	14,142
Total Cost or Valuation	11,422	2,954	9,993	5,570	350	158	30,447

10. 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.

	2017/18 Restated £'000	2018/19 £'000
Income	-400	-352
Expenditure	103	57
Revaluation	95	-23
(Surplus)/Deficit in year	-202	-318

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

	2017/18 £'000	2018/19 £'000
Balance at start of year	10,170	10,834
Additions	759	-
Transfer to Property, Plant & Equipment	-	-4,152
Net gains / (losses) from fair value adjustments	-95	23
Balance at end of year	10,834	6,705

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 2019 £'000
Recurring fair value measurements using:				
Offices	-	3,497	-	3,497
Community Facilities	-	-	138	138
Depot	-	14	-	14
Open Space / Land / Woodland	-	59	290	349
Health Centre Car Park	-	69	-	69
Commercial	-	2,420	-	2,420
Retail	-	218	-	218
Residential Property	-	-	-	-
Total	-	6,277	429	6,705

	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2018 £'000
Recurring fair value measurements using:				
Offices	-	3,441	-	3,441
Community Facilities	-	-	135	135
Depot	-	146	-	146
Open Space / Land / Woodland	-	53	381	434
Health Centre Car Park	-	69	-	69
Commercial	-	2,387	-	2,387
Retail	-	203	-	203
Residential Property	-	4,019	-	4,019
Total	-	10,318	516	10,834

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 PropertiesSignificant 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 2018/19	Community Facilities £'000	Open Space, Land & Woodland £'000
Balance at start of year	135	381
Total gains/(losses) for the period included in the Surplus/Deficit on the Provision of Service resulting from changes in fair value	3	-91
Balance at end of year	138	290

Movements in 2017/18	Community Facilities £'000	Open Space, Land & Woodland £'000
Balance at start of year	120	253
Total gains/(losses) for the period included in the Surplus/Deficit on the Provision of Service resulting from changes in fair value	15	128
Balance at end of year	135	381

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 2019 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Community Centres	138	Comparative based on limited rental evidence	Rental Value	£15 - £50 /m ² 9% -13%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
			Yields	9% -13%	
Open Space/ Recreational Land	290	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	£0.25 - £6 /m ²	
			Yields	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 2018/19 were carried out by registered valuers, Wilks Head & Eve, 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.

11. 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:

	2017/18 £'000	2018/19 £'000
Balance at start of year:		
Gross carrying amounts	487	534
Accumulated amortisation	-225	-298
Net carrying amount at start of year	262	236
Additions	47	63
Disposals	-	-6
Amortisation for the period	-73	-85
Reversal of amortisation on disposal	-	6
Net carrying amount at end of year		
Gross carrying amounts	534	591
Accumulated amortisation	-298	-377
Net carrying amount at end of year	236	214

12. 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.

Financial Assets £'000	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	
Amortised Cost	3,590	370	1,676	1,584	5,044	176	2,288	1,664	3,787
Total financial assets	3,590	370	1,676	1,584	5,044	176	2,288	1,664	3,794
Non-financial assets	-	-	-	-	-	-	-	-	-
Total	3,590	370	1,676	1,584	5,044	176	2,288	1,664	3,794

Financial Liabilities £'000	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	
Amortised Cost	-	5,478	-	-	-	18	2,431	2,756	5,496
Total financial liabilities	-	5,478	-	-	-	18	2,431	2,756	5,496
Non-financial liabilities	-	-	-	-	-	-	-	-	-
Total	-	5,478	-	-	-	18	2,431	2,756	5,496

Note: Some balance sheet categories, for example debtors, include both items that are financial instruments and items which are not financial instruments.

Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments and the remeasurements of carrying amounts then required.

	Carrying amount brought forward at 1 April £'000	New Classifications at 1 April 2018		
		Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit and loss £'000
Previous classifications				
Loans and receivables	8,027	8,027	-	-
Available for Sale	607	607	-	-
Fair value through profit and loss	-	-	-	-
Reclassified amounts at 1 April 2018	-	8,634	-	-
Remeasurements at 1 April 2018	-	-	-	-
Remeasured carrying amounts at 1 April 2018	-	8,634	-	-
Impact on General Fund Balance	-	56	-	-
Impact on Financial Instruments Revaluation Reserve	-	-	-	-

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

	Amortised Cost £'000	Fair Value through Other Comprehensive Income £'000	Fair value through profit and loss £'000	Non-financial instrument balances £'000	Total Balance Sheet carrying amount £'000
Remeasured carrying amounts at 1 April 2018	8,634	-	-	-	8,634
Non-current investments	3,590	-	-	-	3,590
Long-term debtors	1,676	-	-	-	1,676
Current investments	5,044	-	-	-	5,044
Current debtors	2,288	-	-	-	2,288

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:

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive I&E £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive I&E £'000
Net (gains)/losses on financial assets measured at amortised cost	-	33	-	-
Interest Revenue on financial assets measured at amortised cost	-133	-30	-219	-
Interest Expense	-	-	18	-

Fair Values of Assets and Liabilities

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:

- 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 value of Public Works Loan Board (PWLB) loans of £6,614,000 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loan under the agreement with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the reduced interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £5,478,000 would be valued at £5,614,264. But, if the authority were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to giving a discount for the reduced interest income that will be avoided. The exit price for the PWLB loan including the penalty charge would be £6,108,946.

The fair values for Financial Assets and Financial Liabilities are calculated as follows.

Financial Assets	31 March 2018		31 March 2019	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	£'000	£'000	£'000	£'000
Money market loans < 1 year	1,000	1,000	6,004	6,004
Short term investments	5,044	5,044	176	176
Long term investments	3,590	3,578	370	393
Short term debtors	2,288	2,288	1,664	1,664
Long term debtors	1,676	1,676	1,584	1,584
Total	13,598	13,586	9,798	9,831

Financial Liabilities	31 March 2018		31 March 2019	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	£'000	£'000	£'000	£'000
PWLB Debt	-	-	5,496	5,614
Short term creditors	2,431	2,431	2,756	2,756
Short term finance lease liability	303	303	321	321
Long term finance lease liability	2,962	2,962	2,641	2,641
Total	5,696	5,696	11,214	11,332

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 2019				
Loans and receivables		176		176
PWLB Debt		-5,614		-5,614
Total		-5,438		-5,438
31 March 2018				
Loans and receivables		8,015		8,015
Total		8,015		8,015

13. Debtors

The amounts owed to the Authority, net of impairment, are summarised as follows.

Long Term Debtors	2017/18 £'000	2018/19 £'000
Car Loans	9	4
Swan Road Finance Lease	89	89
Farnham Park Charitable Trust Loan (Note 1)	1,571	1,484
Other Long Term Debt	8	8
	1,677	1,584

Short Term Debtors	2017/18 £'000	2018/19 £'000
Central Government	2,616	2,091
Other Local Authorities	2,994	2,597
Council Tax (net of impairments)	143	208
Business Rates (net of impairments)	336	-353
Sundry Debtors (net of impairments)	999	1,248
Farnham Park Charitable Trust Loan (Note 1)	90	90
Payments in Advance (Note 2)	1,198	684
	8,376	6,564

Note 1: 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.

Note 2: Payments in Advance include advance contribution made to the Pension Fund.

14. Short Term Creditors

	2017/18 £'000	2018/19 £'000
Central Government	-3,826	-1,306
Other Local Authorities	-2,731	-3,445
Council Tax	-83	-346
NNDR	-123	-96
Sundry Creditors	-1,120	-1,978
Receipts in Advance	-236	-751
	-8,119	-7,922

15. Provisions

	NDR Appeals £'000	Total £'000
Balance as at 31 March 2018	-1,528	-1,528
(Increase to)/release of existing provision	-121	-121
Balance as at 31 March 2019	-1,649	-1,649

A provision has been established in respect of Non-Domestic Rates appeals. Settlement is dependent on when the Valuation Office resolve the appeals.

16. 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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	9,181	8,390
Downwards revaluation and impairment losses not charged to CI&E	-718	-
Difference between fair value depreciation and historical cost depreciation	-73	-73
Balance as at 31 March	8,390	8,317

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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	-31,484	-30,229
Remeasurements of pension assets and liabilities	2,566	2,952
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	-2,525	-2,707
Employer's pensions contributions and direct payments to pensioners payable in the year	1,214	1,247
Balance as at 31 March	-30,229	-28,737

Further information relating to the Pension fund can be found in note 24.

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 6 (Expenditure and Funding Analysis) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	19,101	19,096
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
- Charges for depreciation / amortisation	-1,042	-749
- Charges for Depreciation - Assets acquired under Finance leases	-252	-266
- Revenue expenditure funded from capital under statute	-470	-672
Adjustment for additional current value depreciation charges	73	73
Financing of Capital Expenditure	1,781	3,944
Movement in the market value of Investment Properties	-95	23
Balance at 31 March	19,096	21,449

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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	-849	353
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	9	-91
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	1,193	-1,055
Balance at 31 March	353	-793

Accumulated Absences Account

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

	2017/18 £'000	2018/19 £'000
Balance at 1 April	-	96
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	96	-
Balance at 31 March	96	96

17. Members' Allowances

The Authority paid the following amounts to Members during the year.

	2017/18 £'000	2018/19 £'000
Basic Allowance	120	134
Special Responsibility Allowance	47	67
Independent Persons	1	1
Expenses	3	3
Total	171	205

18. 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 58% and South Bucks DC contributing 42% towards the costs.

2018/19	Employing Authority	Salary incl fees, allowances & performance related pay £	Expense allowances (chargeable to UK tax) £	Compensation for loss of office £	Benefits in kind £	Total remuner'n excluding pension contributions £	Employers pension contributions £	Total remuner'n including employers pension contr £
Chief Executive	CDC	133,965	-	-	-	133,965	20,764	154,729
Director of Services	SBDC	94,401	-	-	-	94,401	14,863	109,264
Director of Resources	SBDC	99,763	-	-	2,859	102,622	15,906	118,528
Head of Legal & Democratic Services	CDC	80,394	-	-	1,429	81,823	12,683	94,506
Head of Finance	SBDC	78,852	-	-	1,610	80,462	12,666	93,128
Head of Customer Services	CDC	80,394	-	-	855	81,249	12,594	93,843
Head of Business Support	CDC	80,394	-	-	1,523	81,917	12,697	94,614
Head of Health & Housing	CDC	80,394	-	-	1,197	81,591	12,647	94,238
Head of Planning and Economic Development (Note 1)	SBDC	54,665	-	-	-	54,665	8,473	63,138
Interim Head of Sustainable Development (Note 2)	Contractor	29,831	-	-	-	29,831	-	29,831
Head of Environment	SBDC	80,394	-	-	1,949	82,343	12,763	95,106

Note 1: Head of Planning & Economic Development (post previously Head of Sustainable Development) appointed July 2018.

Note 2: Interim Head of Sustainable Development post was covered by a Contractor until July 2018.

Appendix

2017/18	Employing Authority	Salary incl fees, allowances & performance related pay £	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 contributions £
Chief Executive	CDC	128,278	-	-	-	128,278	19,883	148,161
Interim Director Of Services (Note 1)	SBDC	26,554	-	-	-	26,554	-	26,554
Director of Services (Note 2)	SBDC	61,615	-	-	-	61,615	9,685	71,300
Director of Resources	SBDC	98,129	-	-	2,246	100,375	15,529	115,904
Head of Legal & Democratic Services	CDC	78,818	-	-	1,179	79,997	12,415	92,412
Head of Finance	SBDC	77,306	-	-	1,331	78,637	10,436	89,073
Head of Customer Services	CDC	78,818	-	-	848	79,666	12,349	92,015
Head of Business Support	CDC	78,818	-	-	1,450	80,268	12,443	92,711
Head of Health & Housing	CDC	78,818	-	-	1,165	79,983	12,398	92,381
Head of Sustainable Development (Note 3)	SBDC	48,698	-	65,755	1,436	115,889	7,316	123,205
Interim Head of Planning and Economic Development (Note 3)	Contractor	53,613	-	-	-	53,613	-	53,613
Head of Environment	SBDC	78,818	-	-	1,564	80,382	12,439	92,821

Note 1: The Interim Director of Services was appointed 1st April 2017- 17th July 2017.

Note 2: The Director of Services was appointed 29th July 2017.

Note 3: The Head of Sustainable Development left 30th November 2017 and the post covered by a Contractor.

Remuneration Band	2017/18 Number of employees	2018/19 Number of employees
£50,000 to £54,999	3	4
£55,000 to £59,999	-	-
£60,000 to £64,999	3	1
£65,000 to £69,999	1	-
£70,000 to £74,999	-	-
£75,000 to £79,999	1	-
£80,000 to £84,999	1	2
£90,000 to £94,999	-	1
£95,000 to £99,999	-	-
£100,000 to £104,999	1	1
£115,000 to £119,999	1	-
Total	11	9

Exit Packages 2018/19

There were no exit packages agreed in 2018/19, including compulsory or other redundancies.

Exit Packages 2017/18

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	1	1	2	61
Over £50,000	-	1	1	66
Total cost included in bandings				127
Amounts provided for in CIES not included in bandings				-
Total cost included in CIES				127

The total cost of £127,000 in the table above was charged to the Authority's Comprehensive Income and Expenditure Statement in 2017/18.

19. 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.

	2017/18 £'000	2018/19 £'000
Fees payable to Ernst & Young LLP with regard to external audit services	42	33
Fees payable to Ernst & Young LLP for the certification of grant claims and returns	19	14
Fees payable in respect of other services provided by Ernst & Young LLP	-	-
Total	61	47

20. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in the year.

Credited to Taxation and Non Specific Grant Income	2017/18 £'000	2018/19 £'000
Revenue Support Grant	57	-
New homes bonus grant	1,105	556
Transition Grant	80	-
Credited to Taxation and Non Specific Grant Income		
Small Business Rate Relief	486	652
Business Rates 2% Compensation Grant	38	301
Business Rates Reconciliation Grant	-	-255
Business Rates Discretionary Relief	54	27
Business Rates Public House	12	12
Business Rates Small Business Support	3	3
Business Rates Transitional Protection – Incorrectly credited to general fund in 17/18	90	-90
Business Rates Levy Grant	-	17
New Burdens Grants	14	12
EU Brexit Preparation	-	17
LA Parks Improvement	-	11
Other Grants	-	2
	697	709
	1,939	1,265

Credited to Services	2017/18 £'000	2018/19 £'000
Housing and Council Tax Benefits Subsidy	15,127	14,408
Housing and Council Tax Benefits Administration	181	176
Cost of Collection Allowance	96	96
Discretionary Housing	165	98
Local Authority Data Sharing	10	15
DWP New Burdens	-	56
Individual Electoral Registration	11	12
Election Funding	282	-
Improvement Grants	599	660
Homelessness Grant	124	215
Custom Build Grant	30	30
Land Charges Grant	11	-
Business Rates Grant	12	-
Police Crime Scrutiny	64	64
Other Grants	23	12
	16,735	15,842

21. 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 Authority, or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority has with other parties (e.g. council tax bills, housing benefits).

Grants received from Government departments are set out in Note 20 and amounts due to and from Government are shown in notes 13 and 14 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 have direct control over the Authority'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 have control over the day-to-day management of the Authority 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. This is with the exception of Farnham Park Charitable Trust and Consilio Property Limited.

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 2018/19 the Trust earned income of £921,000 (2017/18 £913,000) and spent £1,073,000 (2017/18 £1,115,000). Giving a net deficit for the year of £152,000 (2017/18 loss of £202,000), which was funded from the Trust's accumulated reserves.

As at 31 March 2019 the Trust owned land and buildings valued at £4.123m.

Consilio Property Limited

Consilio Property Limited was set up in September 2017 as a property investment company with the primary aim of generating long term income by investing directly in UK property. The intended investments include selective residential markets and commercial properties within South Buckinghamshire and the surrounding area.

South Bucks District Council (SBDC) is the sole shareholder of Consilio.

In December 2018 Consilio bought its first investment property for the amount of £5.478m which was funded solely by a loan from SBDC.

Interest in Companies

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 Authority 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. In 2018/19 South Bucks District Council paid £14,400 as a grant for the lease of Wyatts Covert.

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

22. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown 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.

	2017/18 £'000	2018/19 £'000
Opening Capital Finance Requirement	-	-
<i>Capital Expenditure</i>		
IT Equipment & Systems	46	1
The South Buckinghamshire Country Park	94	104
Stoke Poges Memorial Gardens	4	12
Cemeteries	11	4
Capswood Refurbishment	53	114
Refuse Vehicles	-	10
Green Waste/Recycling	83	53
Bath Road	384	2,985
Development at Gerrards Cross	375	981
Station Road Car Park GX (Multi Storey)	134	167
Customer Experience Strategy	-	63
ICT Desktop IT (Unified Network)	13	-
Other Schemes	115	169
	1,312	4,663
<i>Revenue Expenditure Funded from Capital Under Statute</i>		
Evreham Centre	43	32
Improvement Grants	427	640
	470	672
Total Capital Expenditure	1,782	5,335
<i>Sources of finance</i>		
Capital receipts	1,054	396
s106	342	2,984
Government grants and other contributions	386	565
Total Funding for Capital Expenditure	1,782	3,945
Closing Capital Finance Requirement	-	1,390

23. 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 2019	Finance Lease Liabilities £'000	Future Finance Costs £'000	Minimum Lease Payments £'000
Under one year	321	175	496
In the second to fifth years	1,500	481	1,981
Over five years	1,141	97	1,238
	2,962	753	3,715

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.

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:

	2017/18 £'000	2018/19 £'000
Under one year	251	251
In the second to fifth years	1,002	1,002
Over five years	935	684
	2,188	1,937

The expenditure charged to the Comprehensive Income and Expenditure Statement during to the year in relation to this lease was:

	2017/18 £'000	2018/19 £'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.

	2017/18 £'000	2018/19 £'000
Finance lease debtor	89	89
Unearned finance income	259	255
Gross investment in the lease	348	344

The annual payment due in respect of this property is £3,870.

Authority as Lessor - Operating Leases

Part of the Authority's main office building is sub-let to a tenant.

The Authority also 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:

	2017/18 £'000	2018/19 £'000
Not later than one year	388	348
Later than one year and no later than five years	1,653	1,492
Later than five years	14,506	14,212
	16,547	16,052

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.

24. 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	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
- Service costs	1,650	1,543	-	-
- Past Service Costs, including curtailments		371		
- Administration expenses	41	37	-	-
- Net Interest on the defined liability (asset)	790	716	44	40
Total post-employment benefits charged to the surplus or deficit on the provision of services	2,481	2,667	44	40
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets	-1,274	-1,170	-	-
- Actuarial gains/(losses) arising on changes in demographic assumptions	-	-4,315	-	-
- Actuarial gains/(losses) arising on changes in financial assumptions	-1,292	2,533	-	-
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	-2,566	-2,952	-	-
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	-1,371	-1,525	60	65
Actual amount charged against General Fund Balance for pensions in the year				
- Employer's contributions payable to the scheme	1,110	1,142	-	-
- Retirement benefits payable to pensioners	-	-	104	105

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	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Present Value of Liabilities	72,391	72,902	1,602	1,477
Fair Value of Assets	-43,764	-45,642	-	-
Surplus/(Deficit)	28,627	27,260	1,602	1,477

Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Opening fair value of Fund assets 1 April	42,122	43,764	-	-
Interest on Assets	1,128	1,111	-	-
Return on Assets less Interest	1,274	1,170	-	-
Administration expenses	-41	-37	-	-
Employer Contributions including unfunded	1,214	1,247	-	-
Contributions by Scheme Participants	276	270	-	-
Benefits Paid	-2,209	-1,883	-	-
Closing fair value of Fund assets 31 March	43,764	45,642	-	-

Present Value of the Scheme Liabilities

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Opening Liability 1 April	71,928	72,391	1,678	1,602
Service Cost	1,650	1,543	-	-
Interest Cost	1,918	1,827	44	40
Contributions by Scheme Participants	276	270	-	-
Change in financial assumptions	-1,276	2,505	-16	28
Change in demographic assumptions	-	-4,227	-	-88
Benefits Paid	-2,105	-1,778	-	-
Past Service Costs, including Curtailments		371		
Unfunded Pension Payments	-	-	-104	-105
Closing Liability 31 March	72,391	72,902	1,602	1,477

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.

	2017/18	2018/19
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	24.0 years	22.9 years
Women	26.1 years	24.8 years
Longevity at 65 for future pensioners:		
Men	26.2 years	24.6 years
Women	28.4 years	26.6 years
Rate of increase in pensions	2.35%	2.40%
Rate of inflation (RPI)	3.35%	3.40%
Rate of inflation (CPI)	2.35%	2.40%
Rate of increase in salaries	3.85%	3.90%
Rate for discounting scheme liabilities	2.55%	2.40%
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 2018	31 March 2019		
	Total £'000s	Quoted £'000s	Unquoted £'000s	Total £'000s
Gilts	3,946	5,634	-	5,634
Overseas Gilts	44	-	-	-
UK Equities	4,300	2,327	-	2,327
Overseas Equities	17,765	18,800	-	18,800
Private Equity	2,606	-	2,099	2,099
UK Other Bonds	5,698	6,803	-	6,803
Property	3,152	3,475	91	3,475
Cash	1,671	1,459	-	1,459
Alternative Assets	466	-	350	350
Hedge Funds	2,074	-	2,460	2,460
Absolute Return Portfolio	2,042	-	2,144	2,144
Value of Fund Assets	43,764	38,498	7,144	45,642

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 Authority in the year to 31 March 2020 is £1,341,000.

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	+0.10%	0.00%	-0.10%
Present value of total obligation	73,103	74,379	75,679
Projected service cost	1,884	1,928	1,973
Adjustment to long term salary increase	+0.1%	0.00%	-0.10%
Present value of total obligation	74,478	74,379	74,280
Projected service cost	1,928	1,928	1,928
Adjustment to pension increases and deferred revaluation	+0.10%	0.00%	-0.10%
Present value of total obligation	75,578	74,379	73,200
Projected service cost	1,973	1,928	1,884
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	77,069	74,379	71,783
Projected service cost	1,994	1,928	1,864

25. 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 Authority acts as guarantor for loans raised by the Home Housing Association. The Authority 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.

26. 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 2019 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 2019	Historical Experience of default	Experience adjusted for market conditions As at 31 March 2019	Estimated maximum exposure to default and uncollectability As at 31 March 2019	Estimated maximum exposure as at 31 March 2018
	£'000	%	%	£'000	£'000
Deposits with banks and other financial institutions					
- Long Term Investments	370	-	0.3%	1	11
- Short Term Investments	176	-	0.3%	1	15
- Cash & Cash Equivalents	11,188	-	-	-	-
Customers	3,021	1.32%	5.00%	151	234

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 £1.66m is past its due date for payment. The past due amount can be analysed by age as follows:

	2017/18 £'000	2018/19 £'000
Less than one year	1,872	538
One to 2 years	634	583
More than 2 years	612	539
Total	3,118	1,660

Liquidity Risk

The Authority holds a proportion of investments on demand to minimise liquidity risk.

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 2019				
On demand	11,188	-		11,188
Less than three months		10		10
Between three months and one year		166		166
Between one and two years	-	-		-
More than two years	-	370		370
Total	11,188	546	-	11,734
As at 31 March 2018				
On demand	7,277	-		7,277
Between three months and one year		1,010	10	1,020
Less than one year		4,017	7	4,024
Between one and two years	-	3,000		3,000
More than two years	-		590	590
Total	7,277	8,027	607	15,911

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.

As at end March 2019, 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	-121

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 Authority'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
Expenditure			
Employee Expenses	637	34	671
Central Support Services	237	12	249
Other Costs	94	5	99
	968	51	1,019
Income			
Building Regulation Charges	-850	-	-850
Miscellaneous Income	-	-	-
	-850	-	-850
(Surplus) / Deficit for Year	118	51	169

Group Accounts

Introduction

As described in the narrative report on Page 4, South Bucks District Council has consolidated the key financial statements and the audited Consilio Property Limited ("Consilio") 2018/19 accounts for the first time. The Consilio Accounts have been audited by Wilkins Kennedy Audit Services. This section of the Statement of Accounts sets out the combined South Bucks District Council ("SBDC") Group accounts.

Consilio was set up in September 2017 with the primary aim to acquire, develop and manage land and property in order to deliver a financial return to the Council. In December 2018 Consilio purchased its first investment, a Travelodge hotel in the centre of Hemel Hempstead.

Consilio is a wholly owned subsidiary of SBDC. Group accounts were not prepared in 2017/18 due to the immaterial impact of doing so, however due to the purchase of the hotel building the consolidated group balances are now materially different to those of SBDC.

Consilio had revenue of £49,000 in 2018/19 (2017/18: nil), all of which was rental income. The council provided services to Consilio totalling £3,340 in 2018/19 (2017/18: £1,300). Further details on the performance of Consilio may be found later in these group accounts.

This section presents the statutory financial statements for SBDC Group for the period from 1 April 2018 to 31 March 2019. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the statement of group accounts is to provide the reader with an overall view of the material economic activities of the Group

The statement of group accounts has been prepared using uniform accounting policies. All of the accounting policies of Consilio were considered and compared to those of SBDC. The policies adopted by Consilio were closely aligned to those of SBDC and there were no material differences to restate.

In preparing the statement of group accounts for the first year, in respect of 2018/19, the Council has restated the accounts of 2017/18 in order to present a more comparable view of the current year.

The statement of group accounts provides a summary of the group's financial position and details of material items that have impacted on the accounts during the year.

Within the notes to the Group accounts, the Council has only provided additional disclosures where the difference between the core and group totals is considered material, exceeding £500k. Other transactions and balances have insignificant differences between the core and group figures as at 31 March 2019.

Basis of Consolidation

Over the two financial years reported in these accounts, SBDC held 100% of the ordinary share capital of Consilio. The council effectively controlled and controls Consilio and as such, it is accounted for as a subsidiary undertaking.

In accordance with IAS 27 and IFRS 10, income and expenditure and assets and liabilities have been consolidated with the Council's accounts on a line-by-line basis, eliminating inter-organisational transactions over the years and balances at the year-end dates.

The council has not consolidated any other organisations as either Associated Companies or as Joint Ventures within the group accounts, as it does not consider any other investments held to have a material effect on the Statement of Accounts, nor does it consider that consolidating would better provide the reader with an improved overall view of the material economic activities of the council.

The following group financial statements consolidate the accounts of the council with those of its subsidiary undertaking, Consilio.

Group Comprehensive Income & Expenditure Statement

The Group Comprehensive Income and Expenditure Statement provides the accounting income and costs recognised by the Group, in a specific format which reconciles accountancy practice and public sector reporting requirements. This is shown in accordance with generally accepted accounting practices (GAAP). There were no acquisitions or discontinued operations in the two years. As stated earlier in this report, the Consilio business results are consolidated into the Group CIES for the two accounting periods.

2017/18					2018/19			
Net Expenditure £'000	Consilio £'000	Adjust £'000	Group Expenditure £'000		Net Expenditure £'000	Consilio £'000	Adjust £'000	Group Expenditure £'000
753	-	1	754	Leader Portfolio	690	-	1	691
2,466	-	-	2,466	Environment Portfolio	2,383	-	-	2,383
1,780	-	-	1,780	Healthy Communities Portfolio	1,757	-	-	1,757
1,571	-	-	1,571	Customer Services & Business Support Portfolio	1,625	-	-	1,625
2,748	-	-	2,748	Resources Portfolio	2,566	-	2	2,568
1,116	-	-	1,116	Planning and Economic Development Portfolio	1,386	-	-	1,386
10,434	-	1	10,435	Cost of Services	10,407	-	3	10,410
				Other Operating Expenditure				
2,241	-	-	2,241	Parish Council Precepts	2,463	-	-	2,463
-	-	-	-	(Gain) / loss on disposal of non-current assets	-37	-	-	-37
41	-	-	41	Pension Administration Expenses	37	-	-	37
				Financing and Investment Income and Expenditure				
211	-	-	211	Interest element of finance leases	193	-	-	193
834	-	-	834	Pensions net interest cost	756	-	-	756
-	-	-	-	Loan interest cost	19	50	-50	19
-163	-	1	-162	Investment interest receivable	-219	-	50	-169
-202	11	-2	-193	(Gain) / loss on investment properties	-318	8	-3	-313
				Taxation and Non-Specific Grant Income and Expenditure				
-7,240	-	-	-7,240	Council tax income	-7,566	-	-	-7,566
-13,200	-	-	-13,200	Non domestic rates income	-12,539	-	-	-12,539
10,756	-	-	10,756	Non domestic rates expenditure - Tariff payment	11,080	-	-	11,080
719	-	-	719	Non domestic rates (safety net grant)/levy	422	-	-	422
-57	-	-	-57	Revenue Support Grant	-	-	-	-
-80	-	-	-80	Transition Grant	-	-	-	-
-1,105	-	-	-1,105	New Homes Bonus	-556	-	-	-556
-683	-	-	-683	Non service related government grants	-709	-	-	-709
-14	-	-	-14	Capital Grants and Contributions	-	-	-	-
2,492	11	-	2,503	(Surplus) or Deficit on Provision of Services	3,433	58	-	3,491
718	-	-	718	(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	-	-	-	-
33	-	-	33	(Surplus) or deficit on revaluation of available for sale financial assets	-	-	-	-
-2,566	-	-	-2,566	Remeasurements of the net defined benefit liability	-2,952	-	-	-2,952
-1,815	-	-	-1,815	Other Comprehensive Income & Expenditure	-2,952	-	-	-2,952
677	11	-	688	Total Comprehensive Income & Expenditure	481	58	-	539

Group Movement in Reserves Statement

The Group Movement in Reserves Statement provides the reconciliation of the movement in year on the different reserves held and how the resources generated or used in the year reconcile to the council's usable and unusable reserves.

General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Capital Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000	Reserves of Subsidiary £'000	Total Group Reserves £'000
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Movement in Reserves 2018/19

Balance as at 31 March 2018	2,398	5,241	359	300	4,350	12,648	-2,340	10,308	-9	10,299
Adjustment to opening balances as a result of the adoption of IFRS9	-	-	-	-	-	-	-56	-56	-	-56
Total Comprehensive Income & Expenditure	-3,065	1	-	-1	-	-3,065	2,935	-126	-58	-180
Adjustments between Group accounts and authority accounts	-53	-	-	-	-	-53	-	-53	53	-
Adjustments between accounting basis & funding basis under regulations	214	-	-359	96	-	-49	49	1	-	-
Net Increase / Decrease before Transfers to Earmarked Reserves	-2,900	1	-359	95	-	-3,163	2,928	-235	-5	-240
Transfers to / from Earmarked Reserves	3,640	-3,640	-	-	-	-	-	-	-	-
Increase / Decrease (movement) in Year	740	-3,639	-359	95	-	-3,163	2,928	-235	-5	-240
Balance as at 31 March 2019	3,138	1,602	-	395	4,350	9,485	588	10,073	-14	10,059

Movement in Reserves 2017/18

Balance as at 31 March 2017	2,939	6,628	856	87	4,350	14,860	-3,872	10,988	-	10,988
Total Comprehensive Income & Expenditure	-2,493	-	-	-	-	-2,493	1,815	-678	-11	-689
Adjustments between Group accounts and authority accounts	-2	-	-	-	-	-2	-	-2	2	-
Adjustments between accounting basis & funding basis under regulations	1,450	-883	-497	213	-	283	-248	35	-	35
Net Increase / Decrease before Transfers to Earmarked Reserves	-1,045	-883	-497	213	-	-2,212	1,532	-680	-9	-689
Transfers to / from Earmarked Reserves	504	-504	-	-	-	-	-	-	-	-
Increase / Decrease (movement) in Year	-541	-1,387	-497	213	-	-2,212	1,532	-680	-9	-689
Balance as at 31 March 2018	2,398	5,241	359	300	4,350	12,648	-2,340	10,308	-9	10,299

The Group Balance Sheet shows the assets and liabilities recognised by the Group at 31 March 2019 and the reserves the company holds which are split into usable and unusable in accordance with CIPFA requirements.

31 March 2018					31 March 2019			
Core £'000	Consilio £'000	Adjust £'000	Group £'000		Core £'000	Consilio £'000	Adjust £'000	Group £'000
16,353	-	-	16,353	Property, Plant & Equipment	24,174	-	-	24,174
63	-	-	63	Heritage Assets	63	-	-	63
10,834	-	-	10,834	Investment Property	6,705	-	-	6,705
				Investment Property – Consilio (Note 1)	-	5,475	-	5,475
236	-	-	236	Intangible Assets	214	-	-	214
3,590	-	-	3,590	Long Term Investments	370	-	-	370
1,677	-	-	1,677	Long Term Debtors	1,584	-	-	1,584
-	-	-	-	Long Term Debtors – Consilio Loan	5,478	-	-5,478	-
32,753	-	-	32,753	Long Term Assets	38,588	5,475	-5,478	38,585
5,044	-	-	5,044	Short Term Investments	176	-	-	176
8,376	3	-10	8,369	Short Term Debtors	6,565	32	-112	6,485
7,277	-	-	7,277	Cash and Cash Equivalentents	11,188	26	-	11,214
20,697	3	-10	20,690	Current Assets	17,929	58	-112	17,875
-7,883	-14	10	-7,887	Short Term Creditors	-7,171	-124	112	-7,183
-1,528	-	-	-1,528	Short Term Provisions	-1,649	-	-	-1,649
-303	-	-	-303	Short Term Finance Lease Liabilities	-321	-	-	-321
-236			-236	Receipts in Advance	-751			-751
-9,950	-14	10	-9,954	Current Liabilities	-9,892	-124	112	-9,904
-	-	-	-	Long Term Borrowing	-5,478	-5,478	5,478	-5,478
-2,961	-	-	-2,961	Long Term Finance lease Liabilities	-2,641	-	-	-2,641
-	-	-	-	S106 Liabilities	-	-	-	-
-30,229	-	-	-30,229	Pensions Liabilities	-28,737	-	-	-28,737
-33,190	-	-	-33,190	Long Term Liabilities	-36,856	-5,478	5,478	-36,856
10,310	-11	-	10,299	Net Assets	9,769	-69	-	9,700
12,650	-11	-	12,639	Usable reserves *	9,540	-69	-	9,471
-2,340	-	-	-2,340	Unusable Reserves*	229	-	-	229
10,310	-11	-	10,299	Total Reserves	9,769	-69	-	9,700

Consilio investments are valued using level 1 of the fair value hierarchy - Quoted prices in active markets for identical assets

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group for the reporting period.

2017/18 Core £'000	2017/18 Consilio £'000	2017/18 Adjust £'000	2017/18 Group £'000		2018/19 Core £'000	2018/19 Consilio £'000	2018/19 Adjust £'000	2018/19 Group £'000
-2,493	-11	-	-2,504	Net surplus or (deficit) on the provision of services	-3,063	-58	-	-3,121
514	4	-	518	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4,409	28	-	4,437
-	-	-	-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-37	-	-	-37
-1,979	-7	-	-1,986	Net cash flows from Operating Activities	1,308	-30	-	1,279
1,862	-	10	1,872	Net cash flows from Investing Activities	-1,474	-5,475	5,528	-1,421
903	10	-10	903	Net cash flows from Financing Activities	4,076	5,528	-5,528	4,076
786	3	-	789	Net increase or (decrease) in cash and cash equivalents	3,910	23	-	3,933
6,491	-	-	6,491	Cash and cash equivalents at the beginning of the reporting period	7,277	3	-	7,280
7,277	3	-	7,280	Cash and cash equivalents at the end of the reporting period	11,187	26	-	11,213

Collection Fund

This statement reflects a statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Authority 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	2017/18 Total £'000	2018/19 Council Tax £'000	2018/19 NDR £'000	2018/19 Total £'000
Income					
Income from Council Tax	1	-54,529	-58,443	-	-58,443
Transfers from General Fund		-5	-5	-	-5
Income Collectable from Business Ratepayers	2	-32,736	-	-31,090	-31,090
Business Rates Transitional Protection Payments		-	-	-734	-734
Contribution to Previous Year's Estimated Deficit		-450	-	-	-
		-87,720	-58,448	-31,824	-90,272
Expenditure					
Precepts and Demands / Shares of Business Rates					
Central Government		15,235	-	16,213	16,213
Buckinghamshire County Council		42,288	42,221	2,918	45,140
Thames Valley Police & Crime Commissioner		5,528	5,961	-	5,961
Bucks and MK Fire Authority		2,281	2,051	324	2,375
South Bucks District Council *		19,396	7,630	12,971	20,601
		84,728	57,863	32,426	90,290
Business Rates Cost of Collection		96	-	96	96
Business Rates Provision for Appeals		-351	-	60	60
Write offs of uncollectable amounts		472	767	482	1,249
Increase / (reduction) in allowance for impairment		-443	307	-162	145
Payment of Previous Year's Estimated surplus		166	193	1,549	1,742
(Surplus) / Deficit for the Year		-3,052	683	2,627	3,310
Balance brought forward 1 April		1,869	-446	-737	-1,183
Balance carried forward 31 March		-1,183	237	1,890	2,127
Analysis of Share of (Surplus) / Deficit					
Central Government		-369	-	945	945
Buckinghamshire County Council		-391	175	170	346
Thames Valley Police & Crime Commissioner		-46	22	-	22
Bucks and MK Fire Authority		-23	9	19	27
South Bucks District Council		-354	31	756	787
		-1,183	237	1,890	2,127

* Includes Council Tax amounts collected on behalf of parish councils.

1. Council Tax

South Bucks District Council's requirement from the Council Tax was £158.00 (2017/18 £153.00).

The average Council Tax at band D including all precepts on the Collection Fund was £1,769.32 (2017/18 £1,671.27).

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	491	6/9	327
B	605	7/9	471
C	2,818	8/9	2,505
D	4,796	9/9	4,796
E	4,562	11/9	5,576
F	3,264	13/9	4,715
G	6,703	15/9	11,171
H	2,108	18/9	4,216
Adjust for estimated collection rate of 98.25% - Council Tax Base			33,185

2. Income from Business Ratepayers

South Bucks District Council collects Business Rates for the area, which is based on rateable values multiplied by the rate poundage set by central government.

	2017/18	2018/19
Non-domestic rateable value (at end of year)	£81.789m	£81.865m
Rate poundage – Standard Multiplier	47.9p	49.3p
- Small Business Multiplier	46.6p	48.0p

Independent Auditor's Report to the Members of South Bucks District Council

Appendix

Independent Auditor's Report to the Members of South Bucks District Council

Appendix

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:

- public money is used economically, efficiently and effectively;
- its business is conducted in accordance with the law and proper standards; and
- public money is safeguarded and properly accounted for.

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 2019 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 & Standards 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 2018/19 this review has been undertaken by the Audit & Standards Committee and included carrying out an assessment of the SBDC internal control framework.

We have been advised of the results of the review of the effectiveness of the governance framework by the Audit & Standards Committee, and plans are in place to address weaknesses and ensure continuous improvement of the system.

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 Authority 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 Authority, 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 Authority'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 Authority 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 Authority 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 Authority, which is used to record council tax and non-domestic rates collected by the Authority, along with payments to central Government, precepting authorities and its own general fund.

Community Assets

This is the land and property that the Authority 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 Authority 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 Authority for work done or goods and services that have been provided to them by the Authority 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 Authority 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 Authority'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 Authority 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 Authority and bring benefits to the Authority 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 Authority has bought to use on a continuing basis but has not yet used.

Liability

A liability arises when the Authority 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 ie 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 Authority, or to be controlled or influenced by the Authority.

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 Authority'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.

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 Authority to another organisation. This counts as capital expenditure but does not create an asset that belongs to the Authority.

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 Authority 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.

Useful Life

This is the period over which the Authority will derive benefits from the use of a non-current asset.

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South Bucks District
Council
Audit results report
Year ended 31 March 2019

October 2019



Building a better
working world



Private and Confidential

October 2019



Dear Audit and Standards Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Standards Committee. This report summarises our preliminary audit conclusion in relation to the audit of South Bucks District Council for 2018/19.

We have substantially completed our audit of South Bucks District Council for the year ended 31 March 2019. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. 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 and Standards 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 welcome the opportunity to discuss the contents of this report with you at the Audit and Standards Committee meeting on 23 October 2019.

Yours sincerely

Andrew Brittain

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This 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 April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.



01 Executive Summary



Executive Summary

Status of the audit

We have substantially completed our audit of South Bucks District Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items set out in appendix B we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3.

Scope update

In our audit planning report tabled at the 10 April 2019 Audit and Standards Committee meeting, we provided you with an overview of our audit scope and approach for the audits of the financial statements. We planned our procedures using a materiality of £715,260. We reassessed this using the year-end figures submitted for audit and these amounts increased to £898,400. The increase was mostly due to the inclusion of the NNDR tariff within the final materiality calculation. The threshold for reporting unadjusted audit differences has also increased from £35,763 to £44,920.

The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure, which is the industry 'norm' for a district council with a similar risk profile to South Bucks District Council.

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 are:

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions; and
- Members' allowances.

These areas were audited using a nil materiality value and we report all errors and findings to you.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of South Bucks District Council'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 have not identified any new audit risks since the issue of the Audit Planning 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 and Standards Committee.



Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, our audit testing is performed within the wider context of the Council's financial control environment; our audit testing did not identify any issues that may indicate deficiencies in this control environment.

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 Planning Report 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.

Other reporting issues

We have no other matters to report.

Independence

Please refer to Section 08 for our update on Independence. In summary, we have no matters to report.

Audit differences

At the date of this report, there are no unadjusted or adjusted audit differences arising from our audit above our reporting thresholds.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of misstatements due to fraud or error

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What judgements were we focused on?

We specifically focused on those judgements applied by management, for example:

- Compilation of accounting estimates for any indication of management bias;
- The basis of unusual transactions; and
- The rationale for any unusual journals matching identified criteria.

What did we do?

We undertook our procedures to address fraud risks, which included:

- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
 - Testing of journal entries and other adjustments in the preparation of the financial statements.
 - Evaluating accounting estimates for any evidence of management bias
 - Evaluating the business rationale for significant unusual transactions

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



Areas of Audit Focus

Significant risk

Risk of fraud in revenue & expenditure recognition - Inappropriate capitalisation of capital expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We have considered this presumed risk in relation to those significant income streams and areas of expenditure which could be subject to manipulation, and identified the following area of risk:

- inappropriate capitalisation of revenue expenditure

What judgements were we focused on?

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through the following judgements:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions and REFCUS in the financial statements.

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 Authorities' financial positions.

What did we do?

We:

- Reviewed and tested revenue and expenditure recognition policies;
- Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- Tested material revenue and expenditure streams and reviewed and tested material revenue cut-off at the period end date;
- Reviewed in-year financial capital projections and compared them to the year-end position; and
- Reviewed capital expenditure on property, plant and equipment at the lower testing threshold to ensure it meets the relevant accounting requirements to be capitalised.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

Risk/area of focus	Audit response and conclusions
<p><u>Pension Liability Valuation</u></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.</p> <p>The Council's pension fund liability is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary Barnett Waddingham.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> • Liaised with the auditors of the Buckinghamshire Pension Fund (Grant Thornton) to obtain assurances over the information supplied to the actuary in relation to the Council; • Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>After the balance sheet date, the Government were denied leave to appeal to the Supreme Court against a judgement that changes made in public sector pension schemes in 2015 were age discriminatory. Generally known as the McCloud judgement, in our view this created an obligation requiring consideration and disclosure within the accounts. The adjustments at South Bucks District Council were not material (£602,000) but the Council adjusted for the effect of the judgement regardless, and we were content that these adjustments were correct and reflected the information provided by the actuary.</p> <p>An additional consideration is that the courts have ruled that all pension schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females. The actuary (Barnett Waddingham) conformed that it was not including any impact of GMP in its actuarial valuation because it was considered immaterial. PWC has estimated that the pre-2021 value of this equalisation is approximately 0.1% of the liability. Once the Authority's share of this has been considered we calculated an impact of c.£39,000 on South Bucks District Council, which is below our minimum reporting level for unadjusted errors, and for which the Authority is not expected to adjust. For this issue to become material at the Authority, the error would have to be over 2.6%. This is far in excess of the current predicted error therefore, the risk of material misstatement to the financial statements is considered negligible, based upon current information.</p> <p>We found no issues with any of the accounting IAS 19 balances as reported by the actuary.</p>



Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

Risk/area of focus	Audit response and conclusions
<p><u>Valuation of Land and Buildings</u></p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents significant balances in the Council's accounts and is subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We:</p> <ul style="list-style-type: none"> • Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Sample tested key asset information used by the valuers in performing its valuation (e.g. floor plans to support valuations based on price per square metre) and challenged the key assumptions used; • Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property; • Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base was not materially misstated; • Ensured accounting entries had been correctly processed in the financial statements. • Considered changes to useful economic lives as a result of the most recent valuation; and • Tested accounting entries had been correctly processed in the financial statements, <p>Our substantive testing found:</p> <ul style="list-style-type: none"> • The asset valuation bases and assumptions were reasonable; and • Accounting entries were correctly processed and disclosed. <p>We therefore concluded that the PPE balances in the financial statements were materially correct.</p>

Other areas of audit focus (continued)

Risk/area of focus	Audit response and conclusions
<p><u>IFRS 9 Financial instruments</u></p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p>	<p>We:</p> <ul style="list-style-type: none"> • assessed the Council's implementation arrangements, which included an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; • considered the classification and valuation of financial instruments and their adherence to the Code of Practice; and • reviewed the implementation of the new expected credit loss model impairment calculations for assets. <p>Our work found that the Council had correctly implemented the requirements of the new standard, as per the requirements of the Code of Practice.</p>
<p><u>IFRS 15 Revenue from contracts with customers</u></p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. 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> <p>The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue may change and new disclosure requirements introduced.</p> <p>The Council are yet to undertake and document their assessment of the impact of IFRS15.</p>	<p>We:</p> <ul style="list-style-type: none"> • Assessed the Councils' implementation arrangements and impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. • Considered application to the authority's revenue streams, and where the standard is relevant tested to ensure revenue is recognised when (or as) it satisfies a performance obligation; and • Checked additional disclosure requirements. <p>Once we had reviewed the impact assessment we agreed with the Council in that the impact of this standard can be considered immaterial.</p>

Other areas of audit focus (continued)

Risk/area of focus	Audit response and conclusions
<p>Group Accounting</p> <p>The Council's wholly owned property subsidiary, Consilio (set up in 2017), has begun trading and we understand that there have been material transactions in 2018/19. This means that the Council needs to produce group accounts for the first time and consolidate appropriately. This makes the financial statements more complex.</p>	<p>We:</p> <ul style="list-style-type: none"> • Clarified the scope of group accounting for the financial statements and concluded that Consilio Property Limited was a significant group component requiring of specific audit procedures; • Vouched directly the single material transaction loan transaction of of £5.4m to gain assurance over accuracy and completeness; • Audited the consolidation of Consilio Properties and the preparation of the Group financial statements. The audited accounts of Consilio confirm that it has a long term loan (secured against the company's assets). It is a long term loan with an interest rate of 3.29%, and is fully repayable in 2028. This is consistent with our audit knowledge of South Bucks District Council; • Liaised with the auditors of Consilio (Wilkins Kennedy) and confirmed that the accounts had been prepared in accordance with the Companies Act 2006. The audit opinion was signed on 31 July 2019; and • Confirmed that the group financial statements of South Bucks District Council had been prepared correctly and in accordance with the Code of Practice and IFRS 10.



03 Audit Report



Audit Report

Draft audit report

South Bucks District Council

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF South Bucks DISTRICT COUNCIL

Opinion

We have audited the financial statements of South Bucks District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- Financial statements notes **1 to 28**; and
- Collection Fund and the related notes **1 and 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 2018/19.

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 2019 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 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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



Audit Report

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the narrative statement set out on pages 3 to 10, other than the financial statements and our auditor's report thereon. The Director of Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, 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 2019.

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.

We have nothing to report in these respects



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Director of Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

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

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

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 2017, 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 the 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 2019.



Audit Report

Draft audit report

Our opinion on the financial statements

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, the South Bucks District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20 (1) (c) of the Local Audit and Accountability Act 2014 to 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.

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.

Use of our report

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 South Bucks District Council and the South Bucks District Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
(Date)

The maintenance and integrity of the South Bucks District Council 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

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the 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 unadjusted differences

There were no uncorrected misstatements above our required reporting thresholds.

Summary of adjusted differences

There were no corrected misstatements above our required reporting thresholds.



05 Value for Money Risks



Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

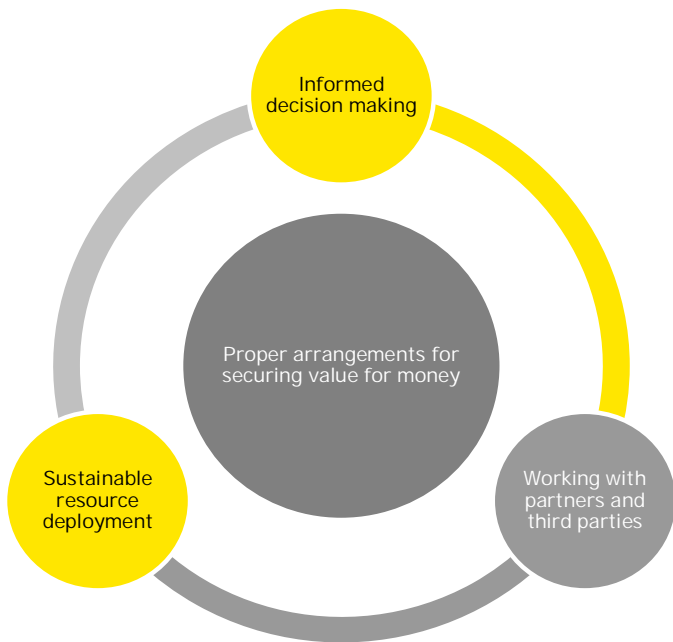
For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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 will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



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Overall conclusion

We did not identify any significant risks around these criteria in our Audit Planning Report however, at that date, we reported the following consideration:

"We have identified one potential significant risk. As a result of the 1 November 2018 announcement by MHCLG that a unitary authority for Buckinghamshire will be instituted from 1 April 2020, there may be an impact on the Council's capacity to manage its operations as well as planning a smooth transition; also on managing strategic risks and medium-term financial planning".

As the audit year progressed, through regular monitoring and update of our VFM planning procedures, it became apparent that:

- The Council has a smooth transition plan leading up to its dissolution which includes a gradual movement of staff and function to the shadow unitary;
- The Council continues to monitor its in-year budget through the retention of its finance staff and budget monitoring processes;
- Strategic risks continue to be monitored at governance levels and remedial action taken as required;
- There were no significant going concern considerations in the context of the Code definition because the nature of service provision will remain unchanged;
- Medium term financial plans are being incorporated into the financial plans and 2020/21 budget setting of the full unitary council; and
- The shadow unitary exercises Executive and Scrutiny functions over the final year service and financial activities of the four district councils to ensure a strong level of accountability and financial propriety.

We therefore concluded that there was no significant risk in this (or any other) context and have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Agenda Item 12



06 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 for the year ended 31 March 2018/19 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 for the year ended 31 March 2018/19 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 are currently concluding our work in this area and will report any matters arising to the Audit and Standards Committee.

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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authorities 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 Authorities have 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.

Our audit found no deficiencies in the control environment.



08

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report tabled at the 10 April 2019 Audit and Standards Committee.

We complied with the FRC 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 Joint Audit and Governance 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 meeting of the Audit and Standards Committee 23 October 2019.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements. We plan to undertake the role as reporting accountant for both authority's housing benefit subsidy return.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019. We confirm that we have undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work	32,647***	32,647	32,647	42,399
Housing Benefit certification work on Form MPF720A**	9,915*	9,915	9,915	21,067
Non-audit work	n/a	n/a	n/a	n/a
Total of all audit work	42,562	42,562	42,562	63,466

All fees exclude VAT

* The indicative fee for certification work in 2018/19 does not include any extended testing that may be required and which is included in the comparative figures.

**This work was under the remit of PSAA in 2017/18 but locally negotiated from 2018/19

*** This is an indicative fee; any extra fees are subject to management discussion, approval from those charged with governance, and final approval from PSAA. We have performed extra work in the following areas:

- Assessment of the impact and audit of the revised IAS 19 balances after the McCloud judgement and GMP consideration.
- Consideration and audit of the group accounting disclosures.






09 Appendices

Appendix A

Required communications with the Audit and Standards Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Standards 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
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report. This document was reported to the Audit and Standards Committee on 10 April 2019.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report, as presented 23 October 2019
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Audit results report

Appendix A

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit and Standards Committee responsibility. 	Audit results report

Appendix A

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report and Audit results report
Group Audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report/Audit results report

Appendix A




Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report but all external confirmations have been received.
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of 	Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report Audit Results Report

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Management representation letter	Receipt of signed management representation letter	Management and Audit and Standards Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Items substantially complete and subject to completion and/or review	Review of PPE valuation work; update of Value for Money (VFM) template; partner review of McCloud accounting; completion of other income analytical review; agreement of collection fund feeder accounts; and completion of WGA.	EY and management

Management representation letter

South Bucks District Council

Management Representation Letter

[To be prepared on the entity's letterhead]
[Date]

Andrew Brittain
Associate Partner

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Dear Andrew,

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 2019. 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 financial position of South Bucks District Council as of 31 March 2019 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 2018/19.

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), 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:

A. Financial Statements and Financial Records

1. 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 2018/19.

2. 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 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. 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 2018/19, that are free from material misstatement, whether due to fraud or error.

Management representation letter

Management Representation Letter

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. 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.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C 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.

Management representation letter

Management Representation Letter

3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year 2018/19 to the most recent meeting on the following date: **[list date]**.

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.

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

6. 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.

D 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 **Note 25** to the financial statements all guarantees that we have given to third parties.

E Subsequent Events

1. Other than those described in **Note 31** to 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.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement; the Statement of Responsibilities for the Statement of Accounts; the Glossary of Terms; and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, actuarial valuation of Pension Fund liabilities and the estimation of the provision for NDR appeals 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 Representation Letter

I. Pensions Liability, PPE Valuations and NDR Appeals Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 estimate(s) are complete and made in accordance CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

J. 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.

Yours faithfully,

(Director of Resources)

(Chairman of the Audit and Standards Committee)

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ED None

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SBDC AUDIT COMMITTEE WORK PROGRAMME

Classification: OFFICIAL

Topic	14 Jan 20	19 Mar 20
Assurance Statements		
Annual Governance Report		
Internal Audit		
Interim Progress Reports		
Annual Internal Audit Report		
External Audit		
Certification of Claims & Returns Annual Report		
Other		
Work Programme		

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