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Queen Victoria Road
High Wycombe
Bucks HP11 1BB

Audit Committee

Date:	17 October 2019
Time:	7.00 pm
Venue:	Committee Room 1 District Council Offices, Queen Victoria Road, High Wycombe Bucks

Membership

Chairman:	Councillor M C Appleyard
Vice Chairman:	Councillor R J Scott
Councillors:	G C Hall, M Hanif, A Lee, Ms C J Oliver, N J B Teesdale and R Wilson

Standing Deputies

Councillors	D A C Shakespeare OBE, C Whitehead, K Ahmed and Miss S Brown

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Agenda

For further information, please contact Iram Malik on 01494 421204, committeeservices@wycombe.gov.uk

WYCOMBE DISTRICT COUNCIL

Report For:	Audit Committee
Meeting Date:	Audit 10 October 2019
Part:	Part 1 - Open
If Part 2, reason:	N/A

Title of Report:	EXTERNAL AUDITORS REPORT ON STATEMENT OF ACCOUNTS
Officer Contact: **Direct Dial:** **Email:**	David Skinner 01494 421322 david.skinner@wycombe.gov.uk
Ward(s) affected:	All
Reason for the Decision:	The Committee is responsible for ensuring effective scrutiny of the Council's Statement of Accounts 2018/2019
Proposed Decision/Recommendation:	It is recommended that Members of the Audit Committee: (i) Consider and note the External Audit Report (ISA260) on the audit of the Statement of Accounts attached at Appendix A
Sustainable Community Strategy/Council Priorities-Implications:	The Accounts and Audit Regulations 2015 require "larger relevant bodies", (of which Wycombe District Council is classed), to produce a Statement of Accounts for each financial year. Risk: Any applicable risks arising from the Council's financial and operational activities are disclosed within the auditors report. Equalities: Not applicable Health and Safety: Not applicable
Monitoring Officer / Section 151 (s151) Officer Comments:	This is external auditors report and therefore comments are not applicable.
Consultees:	not applicable
Options:	No other additional options
Next Steps:	The Audit Committee to approve the Statement of Accounts 2018/2019
Background Papers:	Accounts and Audit Regulations 2015
Abbreviations:	ISA 260 – International Standards of Auditing

Appendices to this Report are: Appendix A – ISA260 Report

Background

1. In accordance with International Standard on Auditing (ISA) 260, the external auditor (Ernest & Young LLP) prepares detailed reports on matters arising from the audit of the Statement of Accounts. The report is attached at appendix A.

2. The Auditor will present the report at the meeting and the Committee members will have opportunity to ask any questions they may have to the auditor.

Wycombe District Council
Audit results report
Year ended 31 March 2019

17 October 2019

Building a better working world

Agenda Item 5 Appendix A

Private and Confidential

17 October 2019

Dear Audit Committee Members

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

We have substantially completed our audit of Wycombe 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 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 Committee meeting on 17 October 2019.

Yours sincerely

Andrew Brittain

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Page 5

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.psaa.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 with which auditors must comply, 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. As appointed auditor,we take no responsibility to any third party.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 10 January 2019 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions]:

- Changes in materiality.

We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.682m (Audit Planning Report – £1.726m). This results in updated performance materiality, at 2% of overall materiality, of £1.261m, and an updated threshold for reporting misstatements of £84K.

Status of the audit

We have substantially completed our audit of Wycombe DC'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, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3.

- valuation of investment property
- Valuation of property, plant and equipment
- payables
- earmarked reserves
- other income testing and expenditure testing
- taxation and non-specific grant income
- overall analytical review
- review of the final version of the financial statements
- receipt of the signed management representation letter

However until work is complete, further amendments may arise. We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

At the time of writing we have identified one unadjusted audit difference in the draft financial statements management has chosen not to adjust. Where they are not corrected and a rationale as to why they are not corrected is acceptable, that will need to be approved by the Audit Committee and included in the Letter of Representation.

1. In relation to the impact of the pensions case relating to GMP equalisation we have estimated the maximum impact on the pensions liability of £215K. Given this is below materiality the Council is not proposing to adjust for this.

Investment property of £7 million held for sale was originally disclosed as an asset held for sale, i.e. a misclassification. This has been amended.

We also note that the Council had adjusted the draft statements issued in May prior to the commencement of the audit for the impact of the McCloud case and the updating of the values of the pension scheme assets, which increased the pensions net liability by £2,653k.

Areas of audit focus

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

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

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

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

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

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.

We did not identify any significant risks around these criteria in our Audit Planning Report. However, at the date of issue, 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”.

During the audit it became apparent that the Council had smooth transition arrangements and was monitoring its risks and medium-term financial planning as the situation developed.

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

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

We have no other matters to report.

Independence

Please refer to Section 09 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.
We have not identified a heightened risk of management override overall, but we have identified a specific area where management override might occur: incorrect capitalisation of revenue spending. Our specific response to this risk is set out in the next slide.

What judgements are we focused on?

We have considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk. For the Council, we have identified the potential for the incorrect classification of revenue spend as capital as a particular area where there is a risk of fraud or error.

What did we do?

- Identified fraud risks during the planning stages.
- Asked management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements

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.

Significant Risk

Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition - incorrect classification of capital spend

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.

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme

What judgements are we focused on?

How management decides on appropriate capitalisation of revenue expenditure

How the capital programme complies with the strategy principles listed above

What did we do?

- 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;
- Developed a testing strategy to test material revenue and expenditure streams and review and test any material revenue cut-off at the period end date;
- Reviewed in-year financial capital projections and compare them to 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
- Tested capital spend to ensure it was appropriately classified

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 Council's normal course of business

Significant Risk

Other areas of audit focus

In our audit planning report we identified other areas of the audit, not classified as significant risks, but still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What did we do?
Valuation of Land and Buildings The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	We: • 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 their valuation (e.g. floor plans to support valuations based on price per square metre); • 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 IP. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; • reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated; • considered changes to useful economic lives as a result of the most recent valuation; and • tested that accounting entries have been correctly processed in the financial statements, • We have one area of work ongoing which relates to how the Council has satisfied itself on the material accuracy of valuations in the statements where assets were not valued in 2018/19, in line with the CIPFA code of local government accounting. We have raised queries about this in relation to PPE balances and are awaiting the Council's response. Depending on the responses to these queries further adjustments may arise.

Other areas of audit focus (continued)

In our audit planning report we identified other areas of the audit, not classified as significant risks, but still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What did we do?
Pension Liability Valuation 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 Wycombe District Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this came to £61.8 million. The information disclosed is based on the IAS19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. The Council re-ran the actuary's report to take account of the McCloud case. The actuary advised that the impact of GMP would not be material.	We: • liaised with the auditors of Buckinghamshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Buckinghamshire County Council; • assessed the work of the Pension Fund actuary (Barnett Waddingham) 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. • The Council has amended its financial statements to take account of actual year-end asset values held by the fund as the statements were drafted using an estimate. This decreased the value of the assets by £1,628k. • 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. This is a national issue affecting many public sector bodies. • The Council therefore asked its actuary, Barnett Waddingham, to adjust for the actual figures while they were also addressing the impact of the McCloud case. The effect of these adjustments is to increase the liability on the balance sheet by £1,025k. • An additional consideration is that the courts have ruled that all pension schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females. The Council's actuary have advised that the impact of GMP is not material. We have corroborated the actuary's view that there is no material impact, but estimate it has a maximum impact of £215K, which has not been adjusted for.

Other areas of audit focus (continued)

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.

What is the risk/area of focus?	What did we do?
IFRS 9 financial instruments This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change: • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. 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. We are currently in discussion with officers on the appropriate accounting treatment for some equities.	We: • assessed the Council's implementation arrangements that should include 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 instrument assets; • reviewed new expected credit loss model impairment calculations for assets; and • checked additional disclosure requirements. There were no issues arising that we wish to bring to your attention.
IFRS 15 Revenue from contracts with customers 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. 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. 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 will change and new disclosure requirements introduced.	We: • assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. This includes Local Authority Trading Companies consolidated into the Authority's Group Accounts; • considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and • checked additional disclosure requirements. There were no issues arising that we wish to bring to your attention.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WYCOMBE DISTRICT COUNCIL

Opinion

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

Movement in Reserves Statement
Comprehensive Income and Expenditure Statement
Balance Sheet
Cash Flow Statement
the related notes 1 to 33
Collection Fund and the related notes CF1 to CF4.

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

Other information

The other information comprises the information included in the Statement of Accounts, set out on pages 4 to 12, other than the financial statements and our auditor's report thereon. The Head of Finance and Commercial 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.

Audit Report

Our opinion on the financial statements

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, Wycombe 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.

Responsibility of the Head of Finance and Commercial

As explained more fully in the Statement of the Head of Finance and Commercial's Responsibilities set out on page 15, the Head of Finance and Commercial 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 Head of Finance and Commercial 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.

Audit Report

Our opinion on the financial statements

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 Wycombe 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 Wycombe 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.
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 [name of body] 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 Wycombe 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 Wycombe 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.

Audit Report

Our opinion on the financial statements

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
17 October 2019

The maintenance and integrity of the Wycombe District Council website 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 adjusted differences

We highlight the following misstatement greater than £1.26m identified during the course of our audit and corrected by management:

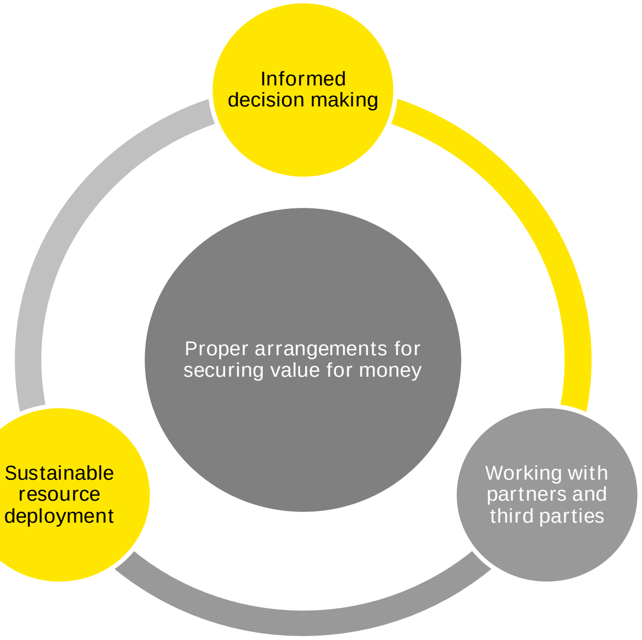
- Investment property of £7 million held for sale was originally disclosed as an asset held for sale, i.e. a misclassification.
- Other amendments to the disclosures and correction of immaterial errors in the financial statements have been made by officers of the Council.

At the time of writing we have the following unadjusted difference above our reporting threshold:

- A judgemental difference on the estimated impact of the GMP case which would increase the pensions liability by a maximum of £215k.

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.

Overall conclusion

We did not identify any significant risks around these criteria in our Audit Planning Report however, at the date of issue, 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 is 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.

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 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 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 have no issues to raise.

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 Council’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; and
- Consideration of laws and regulations.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice. As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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

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

08 Data Analytics

Use of Data Analytics in the Audit

▶ Data analytics – revenue recognition, income and expenditure, payroll

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of the Council's financial data. These analysers:

- Help to identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Make identifying errors more likely than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the authority's audit included testing journal entries and employee costs, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

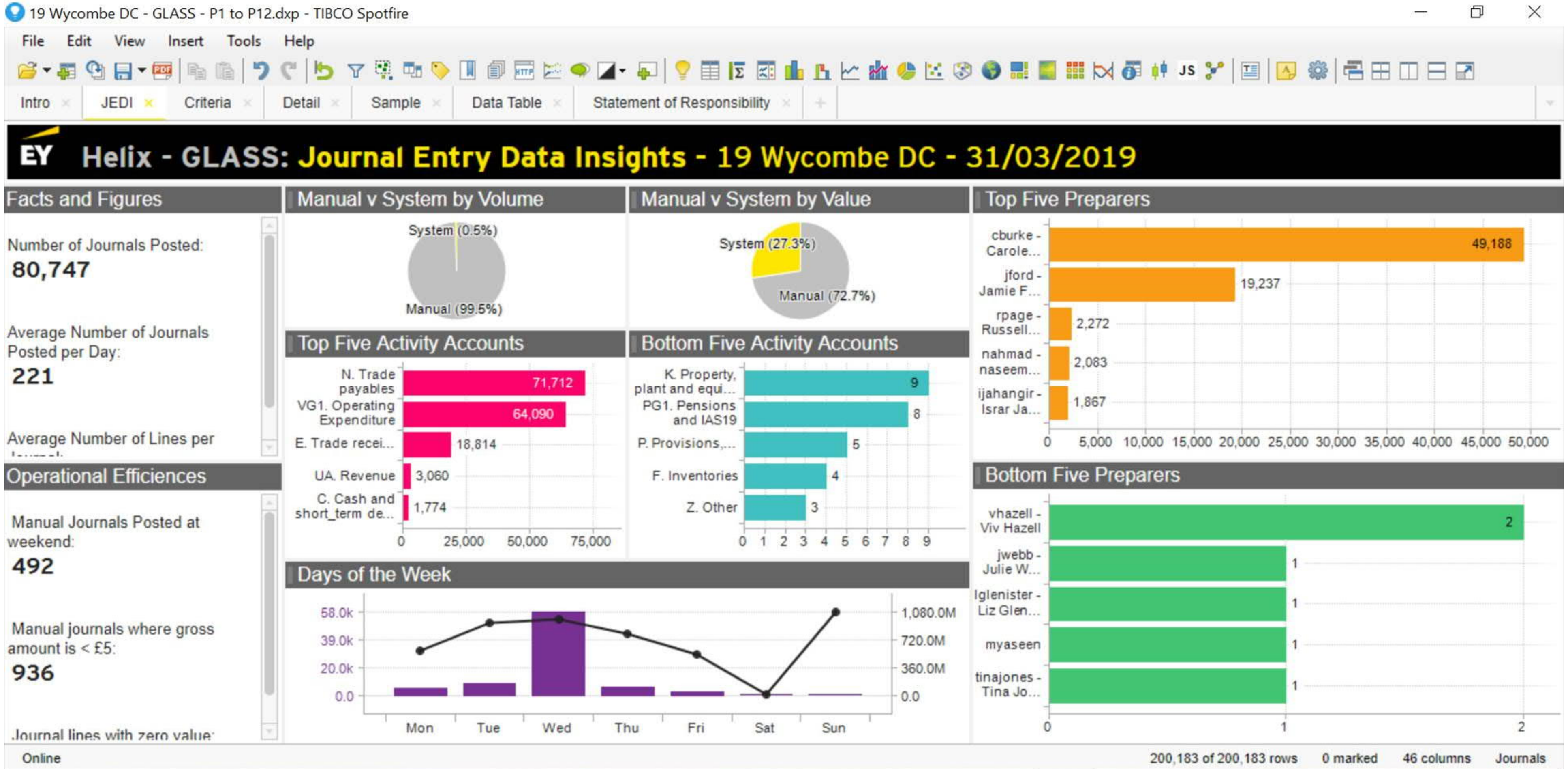
Journal Entry Analysis
We obtain downloads of all Wycombe DC financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.



Page 32

Data Analytics

Journal Entry Testing

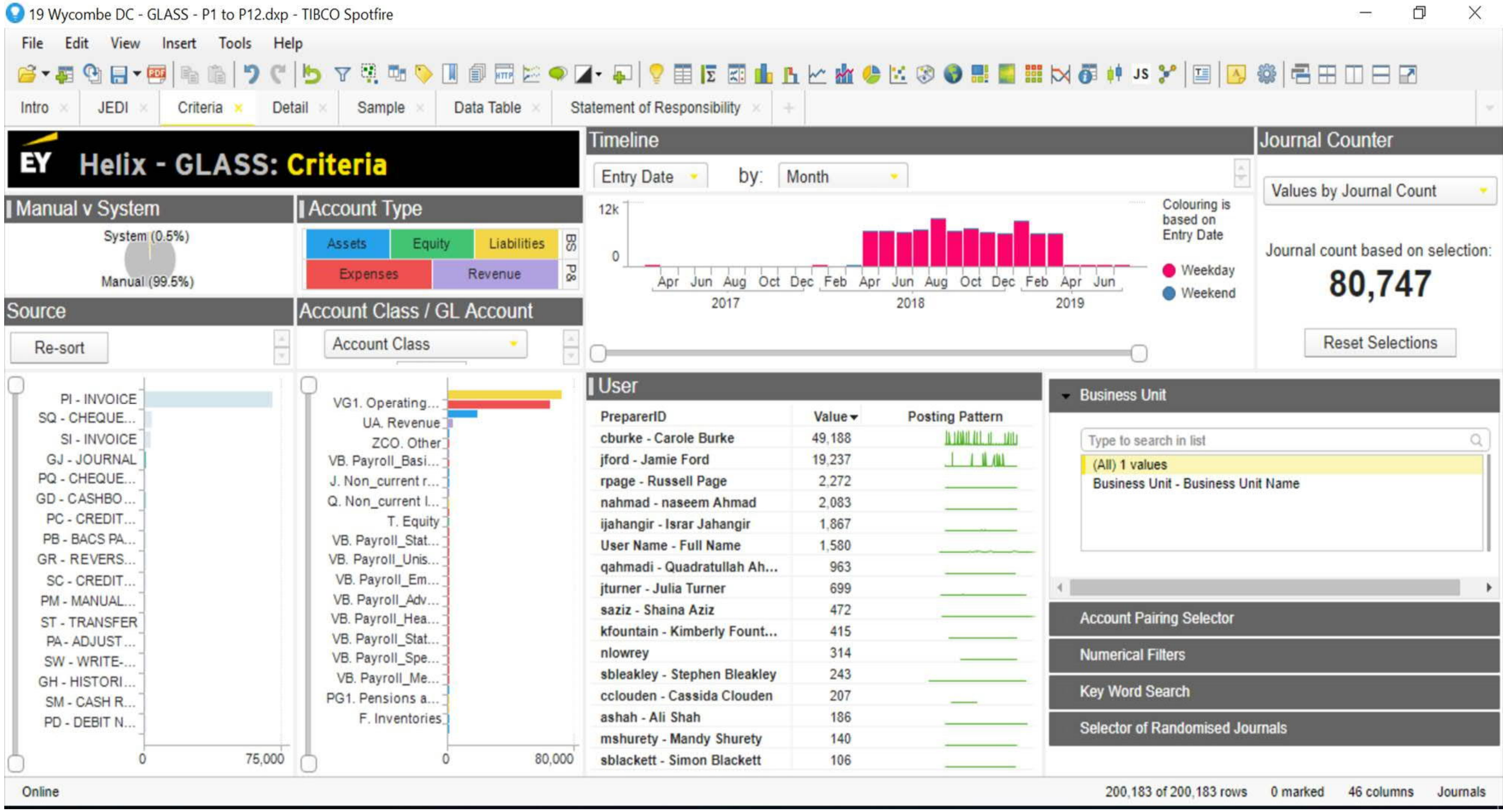
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2019



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

09 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 10 January 2019.

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 Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we would be pleased to do this at the Committee meeting on 17 October 2019.

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

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 not 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	TBC ***	47,691	47,691	61,936
Housing benefit subsidy claim	TBC	10,550 *	N/A **	16,833

All fees exclude VAT

* The planned 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.

**The scale fees for this work were set by PSAA in 2017/18 but agreed locally from 2018/19

*** Any extra fees are subject to agreement with officers, 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.
- Valuation of investment properties and PPE.

10 Appendices

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: • 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	No conditions or events were identified, either individually or together to raise any doubt about he Authority's ability to continue for the 12 months from the date of our report
Misstatements	• 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	• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	
Fraud	• Enquiries of the Audit 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: 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 Committee responsibility.	Audit results report

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: • 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	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • 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 Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards.	Audit planning report and Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	• 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 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 committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations]
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit results report/Annual Audit Letter

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Group Audits	• 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
Written representations we are requesting from management and/or those charged with governance	• 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	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	• 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
Certification work	• Summary of certification work	Certification Report

Page 41

Management representation letter

Management Rep Letter

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

Ernst & Young
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 Wycombe 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 Council financial position of Wycombe 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

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.

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.

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

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.

We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

B. Non-compliance with law and regulations, including fraud

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.

Management representation letter

Management Rep Letter

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

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.

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

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.

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

We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year of audit to the most recent meeting on the following date: 17 October 2019.

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 [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

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

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.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm that we have given no guarantees to third parties.

Appendix B

Management representation letter

Management Rep Letter

E. Subsequent Events

1. Other than………. described in Note [X] to the financial statements, there have been no events subsequent to the year 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 Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Going Concern

Note [X] to the financial statements discloses all of the matters of which we are aware relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Use of the Work of a Specialist

When the Council has used the work of a specialist, we may include the following representation:

We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property 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.

. Estimates

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.

We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Retirement benefits

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,

____

(Head of Finance & Commercial)

____

(Chairman of the Audit Committee)

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WYCOMBE DISTRICT COUNCIL

Report For:	Audit Committee
Meeting Date:	Audit 10 October 2019
Part:	Part 1 - Open
If Part 2, reason:	N/A

Title of Report:	APPROVAL OF THE STATEMENT OF ACCOUNTS 2018/2019
Officer Contact: **Direct Dial:** **Email:**	David Skinner 01494 421322 david.skinner@wycombe.gov.uk
Ward(s) affected:	All
Reason for the Decision:	The Committee is responsible for ensuring effective scrutiny of the Council's Statement of Accounts 2018/2019
Proposed Decision/Recommendation:	It is recommended that Members of the Audit Committee: (i) consider and note that the signed Annual Governance Statement (for 2018/2019) which was approved by this Committee on 30 May 2019 has been incorporated within the Statement of Accounts; (ii) review the Statement of Accounts 2018/2019 and raise any issues which will provide them with the assurance needed so as to approve the Statement of Accounts on behalf of the Council; (iii) subject to consideration of the External Auditor's Audit Findings Report (the ISA 260 Report), approve the Letter of Representation (Appendix B) in the capacity of those charged with Governance; (iv) subject to (ii) above, approve the Statement of Accounts for 2018/2019; and (v) authorise the Head of Finance & Commercial, following consultation with the Chair, to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.
Sustainable Community Strategy/Council Priorities-Implications:	The Accounts and Audit Regulations 2015 require "larger relevant bodies", (of which Wycombe District Council is classed), to produce a Statement of Accounts for each financial year

	The annual Statement of Accounts is typically approved by the Members of this Committee no later than 31 July each year. The financial year 2018/2019 has been an exception because the Council's External Auditor, EY LLP, was unable to source the staff needed in order to complete the necessary audit work in-line with the usual statutory timetable That excepted, this situation is permitted under Regulation 10, Paragraph (2a) of the Accounts and Audit Regulations 2015. As outlined within this Paragraph, the Council has been unable to publish the final audited 2018/2019 Statement of Accounts by the 31 July 2019 deadline in-line with Paragraph (1) of these Regulations As per the revised timetable agreed with the auditors, the accounts are being presented for approval by the Members of this Committee on Thursday 17 October 2019 and final audited accounts will be published by the end of October 2019 Risk: Any applicable risks arising from the Council's financial and operational activities are disclosed within the main body of this Report and additionally within the Statement of Accounts 2018/2019 Equalities: Not applicable Health and Safety: Not applicable
Monitoring Officer / Section 151 (s151) Officer Comments:	**Monitoring Officer**: The Accounts and Audit Regulations 2015 (pursuant to the Local Audit and Accountability Act 2014) require "larger relevant bodies", (of which Wycombe District Council is classed), to produce a Statement of Accounts for each financial year. The relevant provisions for late filing under Regulation 10 paragraph 2(a) have been met **Section 151 (s151) Officer**: This is a Section 151 Officer Report and all of the financial implications are included in the main body of this Report
Consultees:	No other parties
Options:	No other additional options
Next Steps:	The Audit Committee to approve the Statement of Accounts 2018/2019
Background Papers:	- Accounts and Audit Regulations 2015; - The Local Audit and Accountability Act 2016; - CIPFA Code of Practice on Local Authority; Accounting in the United Kingdom 2018/2019; - International Financial Reporting Standards (IFRS).
Abbreviations:	- s151 Officer – The Council's Section 151 Officer and appropriate individual charged with overseeing

	the Council's governance obligations. This is the Head of Finance and Commercial; - CIPFA – The Chartered Institute of Public Finance and Accountancy (the accounting governing body for Local Authorities in the United Kingdom); - IFRS – International Financial Reporting Standards which the Council adheres to in order to ensure that the Statement of Accounts is prepared in accordance with proper accounting practices; - ISA 260 – A specific reporting standard that the Council's external auditor (EY LLP) uses to address their risk obligations in the preparation of their closing summary of all key matters pertaining to the review of the Council's annual accounts; - CIL – the Community Infrastructure Levy – a levy charged on new builds (chargeable developments for the Council) with appropriate planning consent; - PPE – Council assets which have physical substance and are held for use in the 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.

Appendices to this Report are:

Appendix A – Statement of Accounts

Background

1. The Statement of Accounts outlines the Council's financial performance for the year. The accounts provide public information on the Council's financial performance and are a key element of this performance review process by which the Council is held accountable to the public for the proper management and stewardship of financial resources.

2. The Accounts and Audit Regulations 2015 require Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice. As discussed above, the Statement of Accounts for 2018/2019 will be finalised later compared to last year. However, the Council was still able to publish a Draft Statement of Accounts for public inspection by 31 May 2019, approved by the Head of Finance and Commercial (the Council's s151 Officer).

3. Once the public inspection period has elapsed and the external audit has concluded, the Regulations state that the audited Statement of Accounts must be submitted to an appropriate Committee for authorisation. The Audit Committee will approve the Statement of Accounts on 17 October 2019.

4. In accordance with the International Standard on Auditing (ISA) 260, the External Auditor (EY LLP) prepares a detailed record of all matters arising from the audit of the Statement of Accounts. This Report is a separate item on the Agenda.

5. The Statement of Accounts is itemised at Appendix A and has been produced in accordance with all relevant statutory legislation and accounting best practice. The key financial sections within these accounts are summarised immediately below.

Accounting Policies

6. For 2018/2019, the Council concluded that consistent with 2017/2018, there was no requirement to prepare Group Accounts due to an absence of material subsidiary companies or other business arrangements. As last year, the Higginson Park Trust has not been consolidated (within the scope of IFRS 10 Consolidated Financial Statements). The Council remains the sole Trustee of this Charity but has no right to financial returns from its operation. Note 30 within the Statement of Accounts illustrates the Trust's financial activities for the year to 31 March 2019.

   Following a concerted effort to declutter the Statement of Accounts at the end of the last financial year, the 2018/2019 accounts have been prepared in-line with 2017/2018 and the Council is satisfied that the accounts remain clear and concise in terms of presentation.

   The Code of Practice requires the Authority to disclose information relating to the impact of an accounting policy change that will be required following the implementation of a new accounting standard in future financial years. Changes within the 2019/20 Code that are expected to have an impact from next year onwards are:

   - IFRS 16 Leases
   - IAS 40 Investment Properties
   - 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

Significant Variances on Prior Year

7. **Comprehensive Income and Expenditure Account**: This summary reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. Total Comprehensive Income and Expenditure for 2018/2019 was £27.8m (credit). In 2017/2018, the Council presented a net credit of £31.6m. The key elements within the decrease of £3.8m are:

   a. Cost of Services key movements year-on-year

	2017/2018 *Net Expenditure* **£m**	**2018/2019** *Net Expenditure* **£m**
Community	5.3	2.9
Housing Services	3.2	0.8
Planning	4.2	3.6
Digital Development	3.7	5.8
Finance and Resources	1.7	2.6

   The total Cost of Services reduced by £0.4m overall compared to last year.

   b. Other Operating Expenditure – expenditure for the year to 31 March 2019 has increased by £3.8m on last year as a result of a decline in preserved Right to Buy receipts due to a decrease in the volume of Council Houses sold which decreased by 25 during the year to 31 March 2019.

   c. Financing and Investment Income and Expenditure – an overall increase for 2018/2019 due to a rise in interest received on last year of £0.2m and favourable changes in the fair value of the Property Pooled Fund of £0.7m. Additionally, an uplift in the fair value of Investment Properties this year of £2.6m.

   d. Taxation and Non-Specific Grant Income – year-on-year income has decreased by £1.5m. The key components are:

      i. Reduced New Homes Bonus monies of £0.7m;
      ii. A decrease in Revenue Support Grant of £0.5m;
      iii. Movement in Collection Fund accounting entries of £1.2m.

   These decreases have been partially offset by increased income within the following categories - Council Tax income £0.5m and Community Infrastructure Levy (CIL) - £0.7m.

   e. Other Comprehensive Income and Expenditure for the year was £18.3m and consists of the Surplus on the Revaluation of Property, Plant and Equipment assets of £12.7m (with significant fair value increases within Leisure Centres of £9.7m and Public Conveniences of £1.9m) and the Actuarial Gain on Pension Assets/Liabilities of £5.6m.

These movements are subtotalled separately from the Provision of Services to reflect the fact that these amounts result primarily from changes in market prices and indices outside of the control of the Council.

8. Balance Sheet

The Council's net worth was £253.6m as at 31 March 2019, which represents an increase of £27.7m on the previous financial year. The key movements are:

a. Total Long-Term Assets grew by £8.2m with key components including increases in the fair values of capital assets amounting to £19.3m, reduced investment in long-term deposit balances of £8m and a decrease in Long-Term Debtors of £3.1m;

b. Total Current Assets increased by £9.8m on last year. Key factors – Investment Properties Held for Sale (increased by £7.0m), Short-Term Investments (rose by £15.1m), Short-Term Debtors (grew by £2.7m) and Cash and Cash Equivalents sums decreased by £15m;

c. Non-Current Liabilities have fallen by £1.5m overall. This is due to a £0.7m reduction in the Pension Scheme liability (as a result of changes in financial and demographic assumptions determined by the actuary) and a decrease of £0.8m within Other Payables;

d. Usable Reserves – The net reduction of £0.2m on last year is primarily represented by a decrease in Earmarked Reserves of £7.7m primarily used to fund the capital programme offset by increases in the Capital Receipts Reserve of £3m and Capital Grants Unapplied of £4.5m. Further details are provided in Notes 17a to 17e in the Statement of Accounts;

e. Unusable Reserves – The net uplift of £28.0m is mainly due to the Capital Adjustment Account increasing by £15.2m primarily as a result of a rise in Revenue Reserves set aside to finance capital expenditure of £12.1m and movements within Investment Properties' market values of £2.0m. Additionally, the Revaluation Reserve increased year-on-year by £12.2m, the primary factors being an increase in the upward revaluation of assets of £3.7m, a reduction in the number of assets decommissioned, transferred and disposed (£1.8m) and a decrease in the value of assets not previously included in the Balance Sheet of £3.3m. Further details are provided within Notes 18a to 18h.

Cash Flow Statement: The net decrease of £15.0m has been driven by the reduction in short-term deposit balances held at year-end.

Wycombe District Council

Audited Statement of Accounts

2018/19

Table of Contents

Introduction

The Statement of Accounts

Welcome to Wycombe District Council's Statement of Accounts for the financial year 2018/2019. We hope this narrative report and the notes that follow give you a clear picture of how the cash you paid became the service you received. The Statement of Accounts is required by law and covers various statutory requirements and other relevant information.

The supporting notes are aimed at providing a more detailed explanation of the often complicated local government financial arrangements.

The Statement of Accounts set out the Council's income and expenditure for the year 2018/19 and true and fair view of its financial position at 31st March 2019. It comprises core and supplementary statements, together with disclosure notes.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

Narrative Report

This narrative report provides an explanation of the statements incorporated within the Council's Statement of Accounts together with guidance on how best to interpret them. This is followed by a high level analysis of the events which have had a significant impact on the Accounts. This section also provides information on the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year in line with regulation 8(2) of the Accounts and Audit Regulations 2015.

A Glossary of key terms can be found at the end of this publication.

1. Main Statements

The Comprehensive Income and Expenditure Statement

This records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- Services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and
- Discretionary expenditure focused on local priorities and needs

The Movement in Reserves Statement

This is a summary of changes to the Council's reserves over the course of the year. Reserves are divided into "Usable", which can be invested in capital projects or service improvement, and "Unusable", which must be set aside for specific purposes.

The Balance Sheet

This is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the 31 March 2019.

The Cash Flow Statement

This shows the reason for changes in the Council's cash balances during the year and whether the change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

The Supplementary Financial Statements are:

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

The Collection Fund This statement shows the income and expenditure transactions of the Council in respect of the collection and distribution of Council Tax and Non-Domestic (Business) Rates.

2. The District

Our part of South Buckinghamshire, Wycombe District Council covers 125 square miles from outside Aylesbury in the north to the Thames at Marlow in the south. Henley is just outside the district to the west, and Beaconsfield to the east. 71% of the district is in an Area of Outstanding Natural Beauty (AONB), and 48% lies in the Metropolitan Green Belt, all round London. The district is in a prime location, with excellent access to the M25/M40/M4 corridor, good rail links to London and Birmingham and close to Heathrow.

The 2011 census showed a population of 172,000: 81% white and 19% BME/Other. 25% of the population was under the age of 20; 22% over 65. The working age population was 57%.

3. Corporate Priorities

We have set ourselves four priorities to 2020:

A great place to be – our place priority

This priority focuses on the environment, our towns and our rural areas, our buildings and our landscape.

We want people who live and work in the area to have an environment that meets their needs, but also for visitors to enjoy all that the Wycombe district has to offer.

Strong communities – our people priority

This priority focuses on the people who have made their homes within our district and who depend upon our services and those of our partners to provide them with education, care, leisure, homes, transport and employment.

We want our children to have the best start in life; to promote the independence of our residents, and to help keep our vulnerable safe.

Growth and prosperity – our prosperity priority

This priority focuses on the economic prosperity of the district, the number, nature and size of our businesses, the skills of our residents and the infrastructure connectivity and support which help our businesses to thrive and grow.

Efficient and effective – our progress priority

This priority focuses on how we will improve the service we provide to our customers. To serve our customers well we believe we need to have an efficient and effective organisation with well-motivated staff and a strong governance framework.

4. Our People and Partnerships

We employ 289 people, 173 female, 116 male. Most staff live in the district, so engage directly with council's services and priorities. 20% of staff are BEM, which corresponds precisely with the diversity in the resident population overall.

Key resident services are delivered through strategic partnerships with neighbouring authorities, parishes and public and private sector organisations.

Waste collection, recycling and street cleaning	Joint contract arrangement with Chiltern & South Bucks Councils.
Resident health and well-being	Partnership contracts for Leisure Centre management and maintenance of Parks and Open spaces.
Economic development	Strong relationship with Local Enterprise Partnership (LEP) and Business Improvement Districts (BIDs).
Resident safety	Joint working on CCTV services with Thames Valley Police and neighbouring authorities.
Community grants	Wycombe provides grants to local voluntary organisations whose aims align with the council's corporate priorities (listed above). Includes grants paid by High Wycombe Town Committee. For example, grants are paid to Citizens Advice Bureau, Shopmobility, local performing arts organisations, and youth mentoring projects.

5. Governance

The overall political composition of the council is:

- Conservatives 49
- Labour 6
- East Wycombe Independents 3
- Independent 1
- Liberal Democrats 1

The Council operates a Leader and Cabinet model of governance. The Cabinet for Wycombe District Council has ten Members, including a Leader and a Deputy Leader. Each Member has a specific area of service responsibility (also known as a "portfolio") and is accountable for that service's everyday decision-making process. Their role is to draw up the annual budget and draft policies and strategies. All Councillors meet together as the Full Council: the Council decides overall priorities and policies and sets the Council Tax. The Senior Management Board makes operational level decisions.

The Council's Annual Governance Statement is supported by a Local Code of Governance (referred to as the Code) which provides further explanation as to the Councils governance arrangements in place during 2018/19.

The Council's governance arrangements comply with the CIPFA/SoLACE Framework as summarised below.

The Council's Audit Committee supports the governance and compliance work streams of management and the auditors in relation to the annual financial statements.

6. Performance During 2018/19

The Council had a net approved revenue budget of £14.5m in 2018/19.

Against a background of reducing government funding for local authorities, Wycombe has maintained its low council tax record through prudent financial management. The 2018/19 Band D Council tax was £142.64, the 27th lowest from 201 district councils in England. The table below summarises the spend across all the services and how it is funded.

Revenue Outturn Summary	2018/19 Outturn				
	Budget	Actual	Carry Forwards	Provisional Outturn	Variance
	£k	£k	£k	£k	£k
Community	2,209	2,343		2,343	134
Strategy and Communication	3,231	3,079	77	3,156	(75)
Economic Development & Regeneration	(4,831)	(4,538)		(4,538)	293
Environment	5,506	5,331	47	5,378	(128)
Finance and Resources	2,171	1,485	40	1,525	(646)
Housing	1,831	1,387	228	1,615	(216)
Digital Development & Customer Services	5,847	5,454		5,454	(393)
Planning	1,492	1,425	208	1,633	141
Young People	78	64		64	(14)
Net Cost of Service	**17,534**	**16,030**	**600**	**16,630**	**(904)**
Capital Charges	(2,511)	(2,511)		(2,511)	0
Interest Receipts	(539)	(861)		(861)	(322)
Movement to/frm Earmarked Reserve	(773)	2,268	(600)	1,668	2,441
Revenue Contribution to Capital	685	685		685	0
Payment to parishes	94	89		89	(5)
General Fund Requirement	**14,490**	**15,700**	**0**	**15,700**	**1,210**
Funding Sources					
Collection Fund Surplus	(261)	(261)		(261)	0
Business Rates	(3,225)	(4,437)		(4,437)	(1,212)
Revenue Support Grant	(117)	(117)		(117)	0
New Homes Bonus	(1,560)	(1,560)		(1,560)	0
Demand on Collection Fund	(9,327)	(9,327)		(9,327)	0
Total Funding	**(14,490)**	**(15,702)**	**0**	**(15,702)**	**(1,212)**
Surplus/Deficit for the Year	**0**	**(2)**	**0**	**(2)**	**(2)**

Financial Context of the Council

Wycombe District Council manages cashflows and assets in excess of £320m by:

- Collecting over £70m of Business Rates. The Council only keep a small proportion of this.
- Collecting £120m Council Tax each year for the Council and on behalf of the precepting authorities.
- Managing a £250m portfolio of land, buildings and other assets.
- Spending approximately £37m each year on Council services.
- Accounting for £37m per annum of fees, charges, rents, Council Tax, Business Rates and grant funding which are used to help deliver services.

- Proactively investing a cash Portfolio of £72m.
- The Council did not undertake any borrowing during the year and is debt free.

The table below shows key resident-facing services plus the council's staff development programmes. It shows how resources allocated by the authority combine to deliver excellent services for our residents, demonstrated by the performance measures.

	WASTE	HOUSING	LEISURE	PLANNING	BENEFITS	TRAINING & DEVELOPMENT
Service	Household Waste Collection & Street Cleaning	Provision of Temporary Accomm-odation	Leisure Centres	Householder Planning Applications	Housing Benefit & Council Tax Relief	Professional Training Approved Qualification Scheme
Performance	Waste recycled & composted: 52.6%. Over 2.7m bins and boxes emptied in the year	Number of people prevented from rough sleeping: 347	Number of users: 671,350	Applications determined in 8 weeks: 74.4%	Helped 6,526 households to pay rent via Housing Benefits Assisted 7,562 households via Council Tax Relief	80% of the staff attended at least 1 training course 9 Accredited Apprentices hips

Capital Investment

In 2018/19 the Council invested £15.5m compared with £11.8m in 2017/18. This included the completion of the new Aldi store in High Wycombe, and 'DesBox', a suite of repurposed shipping containers into workshops and offices for small craft and design businesses. Also the design work for a new Temporary Accommodation scheme - all of which will contribute to the regeneration of High Wycombe Town Centre. Additionally, £0.8m adaptation funding was provided for eligible applicants to enable them to remain in their own homes.

Development also continued on the High Wycombe Town Masterplan and the alternative link road through High Wycombe.

The Capital Expenditure has been funded from various sources, the major elements being reserves of £12m and Government Grants and Contributions of £3.5m.

DesBox site during installation

Leisure Centre at Handy X Hub

Hughenden Quarter

7. Risk Management

A risk management strategy is in place to identify and evaluate risk. The Risk Management Strategy is presented to the Council's Audit Committee. There are clearly defined steps to support better decision making through the identification, evaluation and management of risk, whether a positive opportunity or threat and the likely impact. The risk management processes are subject to regular review and updating.

The Council has in a place a Strategic Risk Register, which is overseen by the Strategic Management Board and reported to the Councils Audit Committee.

The Council's Audit Committee has responsibility for monitoring risk management performance, and reviews reports every quarter. The Quarter 4 report can be seen here:

https://councillors.wycombe.gov.uk/documents/g6169/Public%20reports%20pack%2030th-May-2019%2019.00%20Audit%20Committee.pdf?T=10

8. Future Outlook

The economic outlook in the district, in common with the nation, remains uncertain. Businesses have already felt the impact of the political uncertainty around Brexit, and future decisions will bring further economic impact.

The retail sector in our town centres has been affected by the consumer spend slowdown, which in turn has impacted the Council's Business Rates and Rental income streams.

Government Funding
The 2019/20 announcement was the final year of the Spending Review 2015 period, which gave a four year funding window. Future years' announcements are dependent on a number of factors, including:

- Fair Funding Review
- The Business Rates Retention (BRR) scheme
- Any reform of the 'New Homes Bonus' funding scheme

Fair Funding Review
Government is due to publish its next spending and funding plans, known as the Fair Funding Review, for the public sector in Autumn 2019. With significant budget pressures already present in local government, particularly in Adult and Childrens care, this announcement will have a major influence on the new Council's medium term financial planning.

Business Rates Retention Scheme
Wycombe council is part of the government's new Business Rates Pilot scheme, which allows greater retention of the income collected. The estimated impact for the Council is additional Business Rates income of £1.2m, which is included in the 2019/20 Budget, and will be invested in the economic development across the District.

Unitary Transition
Local government in Buckinghamshire is facing the biggest change in a generation as the five existing councils, including Wycombe, prepare to be abolished in 2020. They will be replaced on 1st April 2020 by a new 'unitary district' council: Buckinghamshire Council.

Councillors, managers and staff in the council are all working hard to ensure that this new council maintains the delivery of excellent services and improved outcomes to our communities across Wycombe District.

The change offers significant opportunities for managing service delivery demands and risks and also to reduce costs and provide better value for money.

Major Projects

Capital Programme for 2019/20

The Council's 5 year Capital Programme totals £112m. It includes the refurbishment of the Court Garden Leisure Complex in Marlow, the extension of the Risborough Springs Swim and Fitness Centre, the provision of new housing, enabling works for Wycombe Air Park and the provision of small workshop units at Bellfield. Work on enabling the Princes Risborough Expansion Area also continues apace.

All of these schemes will significantly improve the quality of life for our residents, provide a range of new homes, and will help businesses to grow and prosper.

Economic Development Grants

The Council's 2019/20 Budget includes £1m to be granted to organisations in the district to support their economic development. Funds will be allocated based on the ten strategic objectives in the Council's Economic Development Strategy – supporting the 'Place' and 'Prosperity' priorities of our Corporate Plan.

Further information about the accounts is available, including alternative languages or font size. Please write to Wycombe District Council, Queen Victoria Road, High Wycombe.

Statement of Responsibilities

The Council's Responsibilities

The Council 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 Council, that officer is the Head of Finance and Commercial.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Head of Finance and Commercial Responsibilities

The Head of Finance and Commercial is responsible for the preparation of the Council'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 Head of Finance and Commercial has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the Local Authority Code

The Head of Finance and Commercial 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 presents a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year then ended.

Signed: Head of Finance and Commercial

Date: 17TH October 2019

Certificate of Approval – Chair of Audit Committee

The Statement of Accounts was approved by Wycombe District Council's Audit Committee.

Signed: Chair of Audit Committee

Date: 17th October 2019

Comprehensive Income and Expenditure Account

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000		NOTE	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
4,189	(721)	3,468	Strategy and Communication		4,135	(430)	3,705
1,839	(1,190)	649	Economic Development and Regeneration		1,222	(103)	1,119
6,940	(1,658)	5,282	Community		5,304	(2,398)	2,906
5,386	(2,194)	3,192	Housing Services - General Fund		3,543	(2,734)	809
9,526	(5,053)	4,473	Environment		9,290	(4,665)	4,625
7,155	(2,927)	4,228	Planning		6,669	(3,119)	3,550
4,392	(704)	3,688	Digital Development and Customer Services		5,797	(32)	5,765
0	0	0	Young People		64	0	64
46,974	(45,229)	1,745	Finance and Resources		46,891	(44,257)	2,634
(77)	(241)	(318)	Non Distributed Costs		1,187	(326)	861
86,324	**(59,917)**	**26,407**	**Cost of Services**	*6*	**84,102**	**(58,064)**	**26,038**
		(2,666)	Other Operating Expenditure	*7*			1,059
		(7,605)	Financing & Investment Income & Expenditure	*8*			(11,401)
		(26,627)	Taxation & Non-Specific Grant Income	*9*			(25,132)
		(10,491)	**(Surplus) on Provision of Services**				**(9,436)**
		(12,989)	(Surplus) on Revaluation of Property, Plant and Equipment assets				(12,706)
		(8,118)	Actuarial (Gains) on Pension Assets / Liabilities	*27b*			(5,620)
		(21,107)	**Other Comprehensive Income and Expenditure**				(18,326)
		(31,598)	**Total Comprehensive Income and Expenditure**				**(27,762)**

Statement of Movements in Reserves

	General Fund Balance	Earmarked Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Movement in Reserves 2017/18							
Balance as at 31 March 2017	**9,738**	**36,888**	**18,329**	**5,010**	**69,964**	**124,305**	**194,269**
Movement in reserves during 2017/18							
Surplus on Provision of Services	10,491	0	0	0	10,491	21,107	31,598
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(5,496)	0	(1,484)	2,439	(4,541)	4,541	0
Transfers to/from Earmarked Reserves	(4,885)	3,356	0	0	(1,529)	1,529	0
Increase in 2017/18	110	3,356	(1,484)	2,439	4,421	27,177	31,598
Balance at 31 March 2018 carried forward	9,848	40,244	16,845	7,449	74,385	151,482	225,868
Movement in Reserves 2018/19							
Balance as at 31 March 2018	**9,848**	**40,244**	**16,845**	**7,449**	**74,386**	**151,482**	**225,868**
Movement in reserves during 2018/19							
Surplus on Provision of Services	9,436	0	0	0	9,436	18,326	27,762
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(5,104)		2,944	4,583	2,423	(2,423)	0
Transfers to/from Reserves	(4,330)	(7,741)			(12,071)	12,071	0
Increase in 2018/19	**2**	**(7,741)**	**2,944**	**4,583**	**(212)**	**27,974**	**27,762**
Balance at 31 March 2019 carried forward	**9,850**	**32,503**	**19,789**	**12,032**	**74,174**	**179,456**	**253,630**

Page 66

Balance Sheet as at 31 March 2019

31 March 2018 £'000		Note	31 March 2019 £'000	31 March 2019 £'000
	NON-CURRENT ASSETS			
87,762	Property, Plant and Equipment	11a	99,425	
785	Heritage Assets		785	
130,504	Investment Properties	12b	138,290	
51	Intangible Assets		18	
13,000	Investments		5,000	
10,960	Long Term Debtors	14a	7,823	
243,062	**TOTAL LONG TERM ASSETS**			251,341
	CURRENT ASSETS			
432	Assets Held for Sale		432	
0	Investment Properties Held for Sale		7,000	
7,061	Available for Sale Investments		7,283	
40,516	Investments (Short Term)	14b	55,552	
12,173	Short Term Debtors	14c	14,723	
19,311	Cash and Cash Equivalents	14d	4,260	
79,493	**TOTAL CURRENT ASSETS**			89,250
322,555	**TOTAL ASSETS**			**340,591**
(763)	Finance Leases	14e	(766)	
(25,625)	Short Term Creditors & Receipts in Advance	14f	(16,850)	
(5,018)	Provisions	15	(5,570)	
(31,406)	**TOTAL CURRENT LIABILITIES**			(23,186)
291,149	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**317,405**
	NON-CURRENT LIABILITIES			
(2,756)	Other Payables	16	(1,983)	
(62,525)	Liability related to Defined Benefit Pension Scheme	27c	(61,792)	
(65,281)				(63,775)
225,868				**253,630**

Balance Sheet as at 31 March 2019

31 March 2018 £'000		*Note*	31 March 2019 £'000	£'000
	FINANCED BY:			
	USABLE RESERVES			
9,848	General Fund Balance	**17b**	9,850	
40,244	Earmarked Reserves	**17c**	32,503	
16,844	Capital Receipts Reserve	**17d**	19,789	
7,449	Capital Grants Unapplied	**17e**	12,032	
74,384	**TOTAL USABLE RESERVES**			74,174
	UNUSABLE RESERVES			
189,681	Capital Adjustment Account	**18b**	204,871	
23,932	Revaluation Reserve	**18c**	36,149	
1,821	Deferred Capital Receipts	**18d**	3,375	
(62,525)	Pensions Reserve	**18e**	(61,792)	
(738)	Collection Fund Adjustment Account	**18f**	(2,675)	
(439)	Financial Instrument Adjustment Account	**18g**	(217)	
(248)	Accumulated Absences Reserve	**18h**	(255)	
151,484	**TOTAL UNUSABLE RESERVES**			179,456
225,868	**TOTAL RESERVES**			**253,630**

Signed

Head of Finance and Commercial
Date 17th October 2019

Signed

Chair of Audit Committee
Date 17th October 2019

Cash Flow Statement for the Year Ended 31 March 2019

2017/18 Financial Activity in Year £'000		Note	2018/19 Financial Activity in Year £'000
(10,491)	Net (Surplus) on the Provision of Services		(9,436)
(1,626)	Adjustment to net (Surplus) on the provision of services for non cash movements	19a	1,162
4,819	Adjustment for items included in the net Deficit on the provision of services that are investing and financing activities	19a	90
(7,298)	**Net Cash Used from Operating Activities**	19a	**(8,184)**
14,602	**Net Cash Used from Investing Activities**	19b	**16,884**
1,462	**Net Cash Used from Financing Activities**	19c	**6,351**
8,766	**Movement in Cash and Cash Equivalents**		**15,051**
(28,078)	Cash and cash equivalents at the beginning of the reporting period		(19,311)
(19,311)	**Cash and cash equivalents at the end of the reporting period**		**(4,260)**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts & Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily compromise 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. The Accounts have been prepared in accordance with the fundamental concepts: Going Concern; Primacy of Legislative Requirements and Accruals of Income and Expenditure.

B 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 the sale of goods is recognised when the Council transfers significant risks and rewards of ownership to the purchase and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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 instruments, 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.

C Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation, but where the timing of the transfer is uncertain.

Provisions are charged as an expense to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of 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 each financial year.

D Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by charging the General Fund Balance in the Movement in Reserves Statement.

When expenditure, to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then credited to the General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against Council Tax for the expenditure.

Certain reserves are maintained purely for accounting purposes for non-current assets, financial instruments, collection fund, retirement and employee benefits and do not represent usable resources for the Council. Their use is governed by statutory and/or CIPFA guidance and are explained in the relevant policies.

E Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They includes benefits such as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits in lieu of salary (e.g. nursery vouchers) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

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 yet to be taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to the General Fund 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 Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy. It is charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs of a restructuring which include the payment of termination benefits.

Post-Employment Benefits

The Local Government Pension Scheme

Employees of the Council are members of the Local Government Pension Scheme administered by Buckinghamshire County Council and is accounted for as a defined benefits scheme:

The liabilities of the Buckinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections or projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the Actuary (based on the market yields on high quality corporate bonds).

The assets of Buckinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value, using the following methods:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pension's liability is analysed into the following components:

- 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, who effect relates to years of service earned in earlier years, debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Net Interest Cost – the expected change in the present value of net liabilities that arises from the passage of time, charged to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Return on Assets – excluding amounts included in net interest on the net defined benefit liability, charged to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- 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 assumption, debited/credited to the Pensions Reserve.

- Contributions paid to Buckinghamshire County Council 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 Council to the pension fund or directly to pensioners in the year as distinct from the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the debits and credits for retirement benefits charged in the Comprehensive Income and Expenditure Account 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 as earned by employees.

Discretionary Benefits

The Council 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.

F Value Added Tax (VAT)

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs, and all VAT paid is recoverable from it.

G Overheads

The cost of overheads and support services are managed separately, therefore these service segments are reported separately in accordance with the Council's arrangements for accountability and financial performance.

H Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences), are only recognised on the Balance Sheet when they are purchased or where internally developed and the Council can demonstrate that the asset will generate future economic benefits or deliver service benefits.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by Council meets this criterion, and they are therefore carried at amortised cost. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted to the relevant service line 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 net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes 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.

I Property, Plant and Equipment (PPE)

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 PPE.

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it increases the value of the asset and that it yields benefits to the council and the services it provides for more than one financial year.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price

- Any costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Council does not capitalise borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:
  - Infrastructure, community assets, plan, vehicles and equipment and assets under construction – historical cost

  - All other assets – fair 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 fair value, because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five year. Increases in valuations are reflected in the Revaluation Reserve to recognise unrealised gains. In year gains will be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is an opening 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 or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, any impairment loss is recognised for the shortfall.

When impairment losses are identified, they are accounted for in the same way as revaluation decreases.

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 useful life (i.e. freehold and certain Community Assets), and assets that are not yet available for use (i.e. assets under construction). Newly acquired or completed assets are depreciated in the year following acquisition or completion.

Depreciation is calculated on the straight-line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment asset 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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet 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 Disposals (if any), are credited to the same line in the Comprehensive Income & Expenditure Statement also as part of the gain or loss on disposal.

All Revaluation Reserve balances in respect of the asset are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve and can then only be used to fund new capital investment or set aside to reduce the Council'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. Accounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

J Charges to Revenue for Non-Current Assets

Services and support 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 assets attributable to the service

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make a Minimum Revenue Provision (MRP) from revenue towards the reduction in its overall borrowing requirement.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two methods.

K REFCUS (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 a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. A transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

L Lease Classification

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, plan 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 payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at 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 Council 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
- 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 recognised at the lower of the present value of the minimum lease payments and the fair value. They are 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 Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are transferred to the Capital Adjustment Account in the Movement in Reserves Statement so that there is no charge against Council Tax.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plan 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 is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement 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 applied to write down the lease debtor (together with any premiums received).
- Finance income credited to the Comprehensive Income and Expenditure Statement.

The gain (Disposal Value less the lease debtor) is not permitted by statute to have an impact on the General Fund Balance. The gain is treated as a capital receipt. Where a premium has been received this is posted to the Capital Receipts Reserve. Where the amount due in relation of the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Statement to Deferred Capital Receipts Reserve. 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 and the deferred capital receipts are transferred to the Capital Receipt Reserve.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.

Rental income is credited on a straight-line basis to the Comprehensive Income and Expenditure Statement.

M Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at the amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rates 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.

Financial Assets

Financial assets are classified into three types as summarised below:

Category	Balance Sheet treatment	CIES treatment
Amortised Cost	Amortised cost	Movements in amortised cost debited/credited to the surplus or deficit on the provision of services
Fair Value through profit & loss (FVTPL)	Fair Value	All gains and losses posted to surplus or deficit on the provision of services
Fair Value through other comprehensive income (FVOCI)	Fair Value	Movements in amortised cost debited/credited to the surplus or deficit on the provision of services, but movements in fair value debited/credited to Other Comprehensive Income and Expenditure

Gains/losses on the pooled investments are reversed through the Movement in Reserves Statement from the General Fund Balance to Fair Value gains and losses so there is no impact on the Council Tax.

N 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 Council when there is reasonable assurance that:

The Council will comply with the conditions attached to the payments; and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that must be met by the recipient as specified, or the grant must be repaid.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Creditors or Capital Grants Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service segment line (revenue grants and contributions attributable to specific services) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants that have been credited to the Comprehensive Income and Expenditure Statement are intended to meet specific service expenditure that has not yet been incurred, an equivalent amount is transferred from the General Fund Balance to an Earmarked Reserve in the Statement of Movement in Reserves. A transfer back is made in future years to match expenditure as it is incurred.

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. Amounts in the Capital Grants Unapplied Reserve are then transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

O Community Infrastructure Levy (CIL)

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

P Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than 1 month 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 Council's cash management.

Q Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Where a change in accounting policies 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.

R 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued as part of a five year rolling programme, according to market conditions at the end of the year. In addition to the five year rolling programme, properties 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 properties are revalued according to the market condition. 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. However, 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 sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financial and Investment Income line and result in a gain for the General Fund Balance.

S Heritage Assets

Heritage assets consist solely of the Council's museum collection consisting of fine art and furniture. The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. when an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any such impairment is recognised and measured in accordance with the Council's general policies on impairment.

The museum holds a small number of valuable paintings including in particular one by Joachim Wtewael of Lazarus Rising from his sick bed and one by John Hamilton Mortimer of St Thomas preaching to the Ancient Britons. The museum collection of chairs and other furniture comprises over 300 items and is the most comprehensive collection of Thames valley chairs in the UK. Notable among items is the so called Pitt Chair bought for £25,000 from a private dealer with grant in 2007. The Dutch Casket, a stumpwork casket is one of less than 100 in the UK and represents one of the museum's most significant treasures. It is held in reserve collections because of its vulnerability to light damage in the present museum displays.

T Events after the Balance Sheet Date

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. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. Two types of events 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

U Materiality and Exceptional Item of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Account or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

V Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

W Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probably that there will be an inflow of economic benefits or service potential.

X Accounting for Council Tax and Non-Domestic Rates (NDR)

Billing Councils in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and NDR.

Council Tax collected belongs proportionately to the Council and the major preceptors. NDR collected by the Council belongs to the Government (50%), the Council (40%) and preceptors (10%).

The Council's share of Council Tax and NDR is recognised in the Comprehensive Income and Expenditure Statement. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet recognises debtors for unpaid Council Tax and NDR, and a debtor/creditor position for each preceptor since the net cash paid to each preceptor in the year will not be equal to its share of total Council Tax and NDR income received.

2. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2019 for 2018/19). Disclosure requirements are expected to be included in a subsequent edition of the Code.

Changes in the 2019/20 Code of Practice that will be introduced in future versions of the accounts include:

- IFRS 16 Leases
- IAS40 Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatment
- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies, the council has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement in the Statement of Accounts is the level of uncertainty about future levels of funding for local government. However, the Council has planned to make savings and generate new income to compensate for reduction in funding. These savings will result predominantly from efficiencies and not reduced levels of services. The Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions made about the future and other major sources of uncertainty

The Statement of Accounts contains estimated figures, which are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made, taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumption and estimates. The items in the Council's Balance Sheet at 31 March 2019, for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Business Rates Appeals Provision	The Council must meet its relevant share of backdated business rate appeals. A provision has been made within the accounts, utilising Valuation Office data and the analysis of successful appeals to date as at the end of the reporting period.	If the refunds payable are higher than the provision, the difference will reduce the balance on the Collection Fund and reduce the Council's share of business rates income in future years.
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 the retirement ages, mortality rates and expected returns on pension assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumption to be applied.	The assumptions used are reviewed yearly in respect of the calculation of the net liability and triennially in respect of the Council's contributions rate. Changes in assumptions may increase the net liability and future pension costs.
Property, Plant, Equipment and Investment Property	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls

Item	Uncertainties	Effect if actual results differ from assumptions
	incurred in relation to individual assets. Assets are subject to a 5 year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available to asses an asset's value	A fall in value of the Council's asset would impact on the net worth of the Council, however would not impact on the Council's usable balances.
Provisions	Provisions are estimated on the basis of current knowledge of the amount that will eventually be paid. It is possible that the amounts eventually paid may be more than expected.	If future liabilities exceed the amounts set aside, the additional amounts would have to be met from the Council's general fund.
Debts	Provisions have been made for debt owed to the Council for which payment is doubtful. In the current economic climate, it is not certain that the amount provided for will be adequate.	Provisions may not be adequate where there is a deterioration in collection rates caused by default i.e. debtors not being able to pay the amounts they owe the Council. These additional costs of default would have to be met from the Council's general fund.

5. Events after the Balance Sheet Date

There have been no material events after the 31st March 2019 until 17th October 2019 that require disclosure.

6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how funding available to the authority for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The analysis also shows how this expenditure is allocated for decision making purposes between the Council's services.

	Net expenditure chargeable to GF Balances	Adjustments between funding and accounting basis	Net expenditure in the CIES
2018/19	**£'000**	**£'000**	**£'000**
Strategy and Communication	3,008	697	3,705
Economic Development and Regeneration	(4,538)	5,657	1,119
Community	2,343	563	2,906
Housing Services - General Fund	1,387	(578)	809
Environment	5,331	(706)	4,625
Planning	1,425	2,125	3,550
Digital Development and Customer Services	5,454	311	5,765
Young People	64	0	64
Finance and Resources	1,485	1,149	2,634
Non Distributed Costs	0	861	861
Net cost of services	**15,959**	**10,079**	**26,038**
Other income and expenditure	(15,961)	(19,513)	(35,474)
Surplus	**(2)**	**(9,434)**	**(9,436)**
Opening General Fund Balance at 31st Mar 2018	(9,848)		
(Surplus) on General Fund Balance	(2)		
Closing General Fund Balance at 31st Mar 2019	**(9,850)**		
2017/18	**£'000**	**£'000**	**£'000**
Strategy and Communication	3,129	338	3,468
Economic Development and Regeneration	(3,968)	4,617	649
Community	2,432	2,850	5,282
Housing Services - General Fund	2,443	749	3,192
Environment	5,077	(604)	4,473
Planning	1,111	3,117	4,228
Digital Development and Customer Services	5,239	(1,551)	3,688
Finance	1,350	395	1,745
Non Distributed Costs	0	(318)	(318)
Net cost of services	**16,813**	**9,595**	**26,407**
Other income and expenditure	(16,922)	(19,976)	(36,898)
Surplus	**(110)**	**(10,381)**	**(10,492)**
Opening General Fund Balance at 31st Mar 2017	(9,738)		
(Surplus) on General Fund Balance	(110)		
Closing General Fund Balance at 31st Mar 2018	**(9,848)**		

6a Note to the EFA – Adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Adjustments	Total Adjustments
2018/19	**£'000**	**£'000**	**£'000**	**£'000**
Strategy and Communication	404	293	0	697
Economic Development and Regeneration	54	113	5,490	5,657
Community	117	228	218	563
Housing Services - General Fund	(821)	243	0	(578)
Environment	(847)	141	0	(706)
Planning	1,597	528	0	2,125
Digital Development & Customer Services	0	311	0	311
Finance and Resources	0	273	876	1,149
Non Distributed Costs	0	861	0	861
Net Cost of Services	**504**	**2,991**	**6,584**	**10,079**
Other income and expenditure from the Funding Analysis				(19,513)
Difference between General Fund surplus and CIES Surplus				**(9,434)**
2017/18	**£'000**	**£'000**	**£'000**	**£'000**
Leader	0	329	10	338
Economics Development and Regeneration	0	0	4,617	4,617
Community	2,663	174	13	2,850
Housing Services - General Fund	1,460	184	(895)	749
Environment	355	200	(1,158)	(604)
Planning & Sustainability	2,579	506	32	3,117
HR, ICT and Customer Services	(1,812)	197	64	(1,551)
Finance	0	314	81	395
Non Distributed Costs	0	(282)	(36)	(318)
Net Cost of Services	**5,245**	**1,622**	**2,728**	**9,594**
Other income and expenditure from the Funding Analysis				(19,976)
Difference between General Fund surplus and CIES Surplus				**(10,382)**

7. Other Operating Expenditure

Other operating Expenditure reported includes all levies payable and gains generated from in year disposals of non-current assets.

31 Mar 18 £'000		31 Mar 19 £'000
2,714	Payment of Precepts to Parishes	2,751
(5,381)	Gains on the disposal of non-current assets	(1,692)
(2,666)	**Total**	**1,059**

8. Financing and Investment Income and Expenditure

31 Mar 18 £'000		31 Mar 19 £'000
119	Interest Payable and Similar Charges	86
5,697	Pension adjustment - Interest Cost	5,376
(3,917)	Pension Adjustment - Expected return on assets	(3,802)
(220)	Interest Receivable and Similar Income	(1,128)
(9,284)	Income and expenditure in relation to investment properties and changes in their fair value (Note 12c)	(11,933)
(7,605)	**Total**	**(11,401)**

9. Taxation and Non-specific Grant Income and Expenditure

This note consolidates non-specific grants and contributions receivable not identified to a particular service area. Capital grants and contributions are credited to non-specific grant income even if service specific.The note also shows the Council's proportion of council tax and business rates used to fund in year service activities.

31 Mar 18 £'000		31 Mar 19 £'000
(12,125)	Council Tax	(12,662)
738	Collection Fund Adjustment Account	1,937
(2,321)	New Homes Bonus	(1,560)
(635)	Revenue Support Grant	(117)
(3,125)	Non-Domestic Rates	(2,493)
(3,093)	Government Grants (not applicable to Specific Services)	(3,649)
(1,686)	Capital Grants and Contributions	(1,437)
(4,380)	Community Infrastructure Levy	(5,151)
(26,627)	**Total**	**(25,132)**

10a. Adjustments between accounting basis and funding basis under Regulations 2018/19

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Items impacting Unusable Capital Reserves					
Reversal of Depreciation & Amortisation	2,442	0	0	2,442	(2,442)
Reversal of Impairment of Assets	104	0	0	104	(104)
Reversal of Revenue expenditure funded from Capital under Statute	2,978	0	0	2,978	(2,978)
Capital Grants Unapplied reversed to Grants Unapplied Reserve	(8,050)	0	5,921	(2,129)	2,129
Application of Capital Grants and Contribution to finance Capital	0	0	(1,338)	(1,338)	1,338
Reversal of Movement in Market Value of Investment Properties	(6,503)	0	0	(6,503)	6,503
Statutory Provision for the Repayment of Debt	(991)	0	0	(991)	991
Items impacting Usable Capital Receipts Reserve					
Net gain on sale or disposal of Long Term Assets	(1,692)	2,894	0	1,202	(1,202)
Cash payment for Deferred Capital Receipt	0	50	0	50	(50)
Items impacting Pension Reserve					
Employer's contributions payable to the Pension Fund and retirement benefits	(1,611)	0	0	(1,611)	1,611
Reversal of Net charges made for pensions- current Service cost	4,924	0	0	4,924	(4,924)
Reversal of Net charges (pensions - Past Service cost & financing items)	1,574	0	0	1,574	(1,574)
Items impacting Other Reserves					
Council's share of Movement in Collection Fund Deficit	1,937	0	0	1,937	(1,937)
Accumulated Absence	7			7	(7)
Reversal of unrealised losses on Available for Sale Investment	(223)	0	0	(223)	223
TOTAL Adjustments between accounting basis & funding basis under regulations 2018/19	**(5,104)**	**2,944**	**4,583**	**2,423**	**(2,423)**

10b. Adjustments between accounting basis and funding basis under Regulations 2017/18

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Items impacting Unusable Capital Reserves					
Reversal of Charges for Depreciation, Amortisation and Impairment of Assets	2,802	0	0	2,802	(2,802)
Reversal of Revenue expenditure funded from Capital under Statute	5,183	0	0	5,183	(5,183)
Capital Grants Unapplied reversed to Grants Unapplied Reserve	(7,485)	0	5,839	(1,646)	1,646
Application of Capital grants & Contributions to finance Capital Expenditure	0	0	(3,400)	(3,400)	3,400
Reversal of Movement in Market Value of Investment Properties	(4,533)	0	0	(4,533)	4,533
Statutory Provision for the Repayment of Debt	(985)	0	0	(985)	985
Items impacting Usable Capital Receipts Reserve					
Net gain on sale or disposal of Long Term Assets	(5,381)	5,256	0	(125)	125
Cost of Disposal	0	0	0	0	0
Financing of Capital Expenditure	0	(6,739)	0	(6,739)	6,739
Items impacting Pension Reserve					
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(1,610)	0	0	(1,610)	1,610
Reversal of Net charges made for pensions- current Service cost	3,555	0	0	3,555	(3,555)
Reversal of Net charges (pensions - Past Service cost & financing items)	1,780	0	0	1,780	(1,780)
Items impacting Other Reserves					
Council's share of Movement in Collection Fund Deficit	738	0	0	738	(738)
Reversal of unrealised losses on Available for Sale Investment	439	0	0	439	(439)
TOTAL Adjustments between accounting basis & funding basis under regulations 2017/18	**(5,496)**	**(1,484)**	**2,439**	**(4,541)**	**4,541**

11a Movement of Property, Plant and Equipment 2018-19

	Land & Buildings	Vehicle, Plant & Equip	Community Assets	Surplus Assets	Assets Under Construction	Infrastructure Assets	Total Assets
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation							
At 1 April 2018	74,832	19,518	1,205	100	1,712	6,490	103,857
Reversal of accumulated depreciation on revaluation	(1,205)	0	0	0	0	0	(1,205)
Additions	103	582	363	0	847	244	2,139
Revaluation increases / (decreases) recognised in the Revaluation Reserve	12,475	0	230	0	0	0	12,705
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(63)	0	0	0	0	0	(63)
Disposal	(220)	0	0	0	0	0	(220)
Other Transfers	825	(350)	0	0	(978)	0	(503)
Other movements in cost or valuation	0	0	0	0	0	0	0
At 31 March 2019	**86,747**	**19,750**	**1,798**	**100**	**1,581**	**6,734**	**116,710**
Accumulated Depreciation							
At 1 April 2018	(1,675)	(13,988)	0	0	0	(432)	(16,095)
Reversal of accumulated depreciation on revaluation	1,205	0	0	0	0	0	1,205
Depreciation Charge	(692)	(1,502)	0	0	0	(216)	(2,410)
Depreciation Transfer	(57)	72	0	0	0	0	15
Depreciation on Disposal	0	0	0	0	0	0	0
At 31 March 2019	**(1,219)**	**(15,418)**	**0**	**0**	**0**	**(648)**	**(17,285)**
Balance Sheet Value at 31 March 2019	**85,528**	**4,332**	**1,798**	**100**	**1,581**	**6,086**	**99,425**
Balance Sheet Value at 1 April 2018	**73,157**	**5,530**	**1,205**	**100**	**1,712**	**6,058**	**87,762**

11b Movement of Property, Plant and Equipment 2017-18

	Land & Buildings	Vehicle, Plant & Equip	Community Assets	Surplus Assets	Assets Under Construction	Infrastructure Assets	Total Assets
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation							
At 1 April 2017	63,015	18,462	1,364	100	2,063	6,490	**91,494**
Reversal of accumulated depreciation on revaluation	(454)	0	0	0	0	0	**(454)**
Additions	1,526	1,096	0	0	1,049	0	**3,671**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	9,074	0	631	0	0	0	**9,705**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provisions of services	928	0	(14)	0	0	0	**914**
Other Transfers	(1,258)	(35)	(5)	0	(1,575)	0	**(2,873)**
Other movements in cost or valuation	2,001	(5)	(771)	0	175	0	**1,400**
At 31 March 2018	**74,832**	**19,518**	**1,205**	**100**	**1,712**	**6,490**	**103,857**
Accumulated Depreciation							
At 1 April 2017	(1,578)	(12,565)	0	0	0	(216)	**(14,359)**
Reversal of accumulated depreciation on revaluation	454	0	0	0	0	0	**454**
Depreciation Charge	(603)	(1,423)	0	0	0	(216)	**(2,242)**
Depreciation Transfer	52	0	0	0	0	0	**52**
At 31 March 2018	**(1,675)**	**(13,988)**	**0**	**0**	**0**	**(432)**	**(16,095)**
Balance Sheet Value at 31 March 2018	**73,157**	**5,530**	**1,205**	**100**	**1,712**	**6,058**	**87,762**
Balance Sheet Value at 1 April 2017	**61,437**	**5,897**	**1,364**	**100**	**2,063**	**6,274**	**77,135**

11c Revaluations

Valuation Process for Non-Current Assets

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment to be measured at fair value revalued at least every five years. Valuations are in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The basis of valuing individual classes of assets owned by the Council is detailed in the Statement of Accounting Policies.

The Council's Operational Assets are valued externally by Wilkes Head and Eve, as part of the rolling programme.

	Land & Buildings	Vehicle, Plant & Equip	Community Assets	Surplus Assets	Assets Under Construction	Infrastructure Assets	**Total Assets**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Valued at current value as at:							
Historical cost	0	4,333	0	0	1,581	6,086	**12,000**
31st March 2019	21,144	0	600	0	0	0	**21,744**
31st March 2018	13,200	0	623	0	0	0	**13,823**
31st March 2017	101	0	0	0	0	0	**101**
31st March 2016	3,553	0	0	0	0	0	**3,553**
31st March 2015	871	0	0	0	0	0	**871**
31st March 2014	46,658	0	575	100	0	0	**47,333**
Total	**85,527**	**4,333**	**1,798**	**100**	**1,581**	**6,086**	**99,425**

11d Information about Depreciation Methodologies

Depreciation and amortisation is charged over the useful life of an asset on a straight line basis, on all assets, except non-operational land and buildings and community assets.

Buildings	40 years average
Intangible Assets	3 years average
Plant and Computer Equipment	3-5 years average

Community Assets have not been depreciated as they consist largely of freehold land; nor have any Heritage Assets, which consist of works of art and other museum collections.

12 Investment Properties and Surplus Assets

12a Revaluation of Investment Properties

Investment properties are valued internally. These are revalued as part of the five year rolling programme but reviewed annually for impairment. If the valuer assesses a material change as part of the impairment review, the asset is revalued in year to ensure investment properties are at fair value at the balance sheet date.

Valuation Techniques used to Determine Fair Values for Investment Properties – Significant Observable Inputs

The fair value for the office, commercial and retail units 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 as Level 2 in the fair value hierarchy. The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 input – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

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 their current use. Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus Gains or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

12b Movement of Investment Properties

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

31 Mar 18 £'000		31 Mar 19 £'000
	Cost or valuation	
120,508	At 1 April year start	130,504
949	Additions - acquistions	2,994
1,984	Additions - subsequent expenditure	7,386
4,414	Revaluation increases recognised in the Surplus / Deficit on the provisions of services	6,503
(350)	Derecognition - Disposals	(2,600)
2,880	Transfers	(6,497)
119	Other Adjustments	0
130,504	**Balance at 31 March**	**138,290**

12c Accounted for in Comprehensive Income and Expenditure Statement

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.

31 Mar 18 £'000		31 Mar 19 £'000
(6,104)	Rental and Other income from Investment Properties	(6,293)
(4,533)	Change in Fair Value of Investment Properties	(6,503)
1,353	Operating expenses arising from Investment property	863
(9,284)	**Surplus on Investment properties**	**(11,933)**

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.

12d Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy, as at 31st March 2019, are as follows:

Fair value as at 31 Mar 18 £'000	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 Mar 19 £'000
1,166	Residential Properties	-	1,166	0	1,166
4,358	Car Parks	4,196	-	0	4,196
124,980	Commercial Units	-	132,928	0	132,928
130,504	**TOTAL**	**4,196**	**134,094**	**0**	**138,290**

13 Capital Expenditure, Financing & Commitments

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.

31 Mar 18 £'000		31 Mar 19 £'000
6,864	**Opening Capital Finance Requirement**	**5,879**
	Capital Investment	
3,670	Property, Plant and Equipment	2,180
2,932	Investment Properties	10,380
0	Intangible Assets	0
5,183	Revenue Expenditure Funded from Capital Under Statute	2,978
11,785		15,538
	Sources of Finance	
(6,739)	Capital receipts	0
(5,046)	Government grants and other contributions	(3,467)
(985)	Minimum Revenue Provision	(990)
0	Sums set aside	(12,071)
(12,770)		(16,528)
(985)	**Total in year movement in Capital Financing Requirement**	**(990)**
5,879	**Closing Capital Finance Requirement**	**4,889**
	The net movement in the year is represented by:	
(985)	(Decrease) in underlying need to borrow	(990)
(985)	**Total in year movement in Capital Financing Requirement**	**(990)**

13a Capital Commitments as at 31st March 2019

The Capital Commitments as at 31st March 2019 by Service are shown in the table below:

31-Mar-18 £,000	Service Area	31-Mar-19 £,000
16	Community	132
431	Economic Development & Regeneration	2,078
528	External Bodies	0
66	Housing	309
97	Digital Development & Customer Services	394
649	Strategy & Communications	0
498	Planning	2,561
2,285	**Total**	**5,474**

14 Financial Instruments – Balances

14a Debtors – Long-term

31 Mar 18 £'000		Movement in Year £'000	31 Mar 19 £'000
9,066	Red Kite Community Housing (RKCH)*	(3,022)	6,044
1,346	Rent to Mortgage	(50)	1,296
475	Finance Lease - Needham Place	0	475
73	Other Long Term debtors	(65)	8
10,960	**Total**	**(3,137)**	**7,823**

Note: *The RKCH balance relates to the VAT shelter cash flow mechanism, part of the housing stock transfer agreement, which is due to be repaid by the end of 2021.

14b Investments - Short Term

31 Mar 18 £'000		Movement in Year £'000	31 Mar 19 £'000
40,516	Loans and receivables	**15,036**	**55,552**

14c Debtors – Short-term

31 Mar 18 £'000		Movement in Year £'000	31 Mar 19 £'000
7,178	Other Entities and Individuals	1,958	9,136
(232)	Provision for Impairment	(80)	(312)
6,946	**Total Financial Instruments definition**	**1,878**	**8,824**
	Business Rates:		
1,153	Gross Arrears of Tax	(11)	1,142
(929)	Provision for Impairment - Tax	106	(823)
	Council Tax:		
870	Gross Arrears of Costs	41	911
(870)	Provision for Impairment - Costs	0	(870)
732	Gross Arrears of Tax	107	839
(596)	Provision for Impairment - Tax	23	(573)
	Housing Benefits:		
5,685	Gross Arrears of Overpayments	(114)	5,571
(4,472)	Provision for Impairment	229	(4,243)
1,250	Central Government Bodies	1,493	2,743
2,404	Other Local Authorites	(1,202)	1,202
12,173	**Total**	**2,550**	**14,723**

14d Cash and Cash Equivalents

31 Mar 18 £'000		Movement in Year £'000	31 Mar 19 £'000
(86)	Bank Current Account**	**(278)**	(364)
19,397	Short Term Deposits	**(14,773)**	4,624
19,311	**Total**	**(15,051)**	**4,260**

** The Council held cash balances on behalf of various trusts which is deducted from the current bank account figure as summarised in the table below.

31 Mar 18 £'000		31 Mar 19 £'000
(116)	Griffiths, Lincolnshire & Thomas Trust	(115)
(43)	Rutland Trust	(41)
(101)	Higginson Park Trust	(273)
(260)	**Total**	**(429)**

14e Borrowing - Short Term

31 Mar 18 £'000		Movement in Year £'000	31 Mar 19 £'000
(763)	Embedded Finance Lease (waste contract)	**(3)**	**(766)**

14e Creditors – Short-term

31 Mar 18 £'000		Movement in Year £'000	31 Mar 19 £'000
(5,901)	s106 Developer Contributions (see Note 24)	216	(5,685)
(2,413)	Receipts in Advance	1,117	(1,296)
(5,144)	Other Entities and Individuals	1,178	(3,966)
(13,458)	**Total Financial Instruments Definition**	**2,511**	**(10,947)**
	Government Items		
(5,577)	Central Government Bodies	5,158	(419)
(4,970)	Other Local Authorities	1,097	(3,873)
(1,620)	Council Tax & NDR	9	(1,611)
(25,625)	**Total**	**8,775**	**(16,850)**

15 Provisions

31 Mar 18 £'000		Movement in Year £'000	31 Mar 19 £'000
(461)	Insurance Provision	45	(416)
(3,374)	NDR Appeals Provision (WDC's share)	370	(3,004)
0	Legal	(40)	(40)
(1,183)	Asbestos Provision	(927)	(2,110)
(5,018)	**Total**	**(552)**	**(5,570)**

16 Other Payables

31 Mar 18 £'000		Movement in Year £'000	31 Mar 19 £'000
(1,627)	Embedded Finance Lease (waste contract)	766	(861)
(1,129)	Community Infrastructure Levy (parishes)	7	(1,122)
(2,756)	**Total**	**773**	**(1,983)**

17. Usable Reserves

17a Movement in Reserves

31 Mar 18 £'000		*Note*	Movement in Year £'000	31 Mar 19 £'000
9,848	General Fund	*17b*	2	9,850
40,244	Earmarked Reserves	*17c*	(7,741)	32,503
16,844	Usable Capital Receipts	*17d*	2,944	19,789
7,449	Capital Grants Unapplied	*17e*	4,583	12,032
74,384	**Balance at 31 March**		**(212)**	**74,174**

Details of the movements relating to individual usable reserves are shown below:

17b General Fund

31 Mar 18 £'000		31 Mar 19 £'000
9,738	Balance at 1 April	9,848
10,491	Surplus on Provision of services	9,436
(5,496)	Adjs between accounting & funding basis under regulation	(5,104)
(3,356)	Transfers (to) Earmarked Reserves	7,741
(1,529)	Transfer to Unusable Reserves	(12,071)
110	**Fund Surplus for the year**	**2**
9,848	**Balance at 31 March**	**9,850**

17c Earmarked Usable Reserves

Earmarked Reserve Description	Balance at 1 April 2018 £'000	Additions in year 2018/19 £'000	Used in year 2018/19 £'000	Balance at 1 April 2019 £'000
Revenue Development Reserve (RDR)	24,669	685	(12,071)	13,283
Repairs & Renewals Fund	4,062	1	(451)	3,612
Transformation	660	0	0	660
Insurance Funds	1,823	331	(805)	1,349
Planning Delivery, LAGBI & Local Dev	828	0	(145)	683
DWP Appropriation	1,301	0	0	1,301
Special Expenses	1,033	63	0	1,096
Business Rates Adjustment Reserve	3,153	1,703	0	4,856
Business Rates Equalisation Fund	763	0	0	763
Capital Feasibility	200	1,171	0	1,371
Other	1,752	1,850	(73)	3,529
TOTAL EARMARKED RESERVES	**40,244**	**5,804**	**(13,545)**	**32,503**

17d Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets, which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is held to fund future years' capital expenditure.

31 Mar 18 £'000		31 Mar 19 £'000
18,329	Balance at 1 April	16,845
5,255	Proceeds from sale of non-current assets	2,894
(6,739)	Use of Capital Receipts Reserve to finance new capital expenditure	0
0	Capital Receipt from Deferred Capital Receipts Reserve	50
16,845	**Balance at 31 March**	**19,789**

17e Capital Contributions and Grants Unapplied

Where Capital Grants, that have no condition attached to them, have been received but no expenditure has yet been made against them, the amount is held in the Capital Grants Unapplied Reserve.

31 Mar 18 £'000		31 Mar 19 £'000
5,010	Balance at 1 April	7,449
2,152	Capital Grants from Community Infrastructure Levy	3,813
287	Disabled Facility Grants	770
7,449	Balance at 31 March	**12,032**

18 Unusable Reserves

18a Movement in Reserves

Details of the movements relating to individual unusable reserves are shown below:

31 Mar 18 £'000		Note	31 Mar 19 £'000
189,681	Capital Adjustment Account	*18b*	204,871
23,932	Revaluation Reserve	*18c*	36,149
1,821	Deferred Capital Receipts Reserve	*18d*	3,375
(62,525)	Pensions Reserve	*18e*	(61,792)
(738)	Collection Fund Adjustment Account	*18f*	(2,675)
(439)	Financial Instruments Adjustment Account	*18g*	(217)
(248)	Accumulated Absences Reserve	*18h*	(255)
151,484	**Total Unuseable Reserves**		**179,456**

18b Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of long-term assets and for financing the acquisition, construction or enhancements of those assets under statutory provisions. The Account is charged with the cost of consumption of property, plant and equipment and enhanced by the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of these assets.

31 Mar 18 £'000		31 Mar 19 £'000
178,569	**Balance at 1 April**	**189,681**
(2,242)	Depreciation on Property, Plant & Equipment	(2,409)
(87)	Amortisation of Intangible Assets	(33)
(1,544)	Asset Impairment	(160)
2,458	Upward Revaluation to CIES	56
(5,182)	Revenue Expenditure Funded from Capital under Statute	(2,978)
(350)	Non-current assets written off on disposal	(2,805)
(1,387)	Decomission of Assets	0
1,965	Revaluation Reserve on Decomission & Transfer of assets	205
178	Depreciation written out of the revaluation reserve	283
(6,191)	**Net written out amount of the cost of non-current assets consumed in the year**	**(7,841)**
	Resources set aside to finance capital expenditure	
0	Revenue Reserves	12,071
6,739	Capital Receipts	0
5,046	Grants & Contributions Applied	3,466
985	Minimum Statutory Provision	991
12,770	**Total Financing Items**	**16,528**
4,533	Movements in Market Value of Investment Properties	6,503
189,681	**Balance at 31 March**	**204,871**

18c 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 accumulate gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- 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.

31 Mar 18 £'000		31 Mar 19 £'000
13,086	Balance at 1 April	23,932
9,965	Upward revaluation of assets	13,712
0	Revaluation decrease	(1,006)
3,284	Recognition of Assets not previously on Balance Sheet	0
(260)	Impairment charged to the revaluation reserve	0
26,075	**Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services**	**36,638**
(178)	Difference between fair value depreciation and historical cost depreciation	(283)
(1,965)	Decomission, Transfer and Disposal of assets	(206)
23,932	**Balance at 31 March**	**36,149**

18d Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financial new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 Mar 18 £'000		31 Mar 19 £'000
1,347	Balance at 1 April	1,821
0	Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	1,604
0	Transfer to the Capital Receipts Reserve upon receipt of cash for items disposed in prior years	(50)
475	Change in Long Term Finance Leases	0
1,821	**Balance at 31 March**	**3,375**

18e Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment 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 service, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pend funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall upon the resources the Authority has set aside in relation to the accrued benefit entitlement of past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 Mar 18 £'000		31 Mar 19 £'000
(66,918)	Balance at 1 April	(62,525)
3,692	Actuarial Gain on Pension Assets and Liabilities	3,191
1,610	Employer contributions plus benefits paid direct to beneficiaries	1,611
4,426	Return on assets excluding amounts included within net interest	2,419
(5,335)	Reversal of IAS19 entries charges to the CIES - transferred to the Pensions Reserve	(6,488)
(62,525)	**Balance at 31 March**	**(61,792)**

18f Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers, compared with the statutory arrangements for paying amounts to or from the General Fund to the Collection Fund.

31 Mar 18 £'000		31 Mar 19 £'000
(1,528)	Balance at 1 April	(739)
1,528	Reversal of balance brought forward	739
(1,003)	In-year Non-Domestic Rates (deficit) movement	(2,841)
264	In-year Council Tax surplus movement	166
(739)	**Balance at 31 March**	**(2,675)**

18g Financial Instrument Adjustment Account

31 Mar 18 £'000		31 Mar 19 £'000
0	Balance brought forward at 1 April	(439)
(439)	Net change in Fair Value	222
(439)	**Balance carried forward at 31 March**	**(217)**

18h Accumulated Absence

31 Mar 18 £'000		31 Mar 19 £'000
(248)	Balance brought forward at 1 April	(248)
0	Net change in accrual occuring in current year	(7)
(248)	**Balance carried forward at 31 March**	**(255)**

19 Cash Flow

19a Cash Flows from Operating Activities

2017/18 Activity in Year £'000		2018/19 Activity in Year £'000
(10,491)	**(Surplus) on the Provision of Services**	**(9,436)**
	Adjust net surplus on the provision of services for non	
(2,242)	Depreciation & Amortisation	(2,443)
(473)	Impairment	(104)
(3,725)	Pension Liability	(4,887)
4,533	Movement in Investment Property Values	6,503
723	(Increase) / Decrease in Impairment Provision for bad debts	278
(304)	Increase / (Decrease) in Creditors (excluding Collection Fund Agencies)	3,290
4,126	(Increase) / Decrease in Debtors (excluding Impairment Provision & Collection Fund Agencies)	2,176
0	(Increase) / Decrease in Inventories	0
(1,758)	Increase / (Decrease) in Provisions	(552)
0	Increase / (Decrease) in Non-Current Liabilities	0
(2,506)	(Increase) / Decrease in Long Term Debtors	(3,137)
	Other Non-Cash Movements	38
(1,626)	**Sub-Total Adjustments for Non-cash Movements**	**1,162**
	Adjustment for items included in the net (deficit) / surplus on the provision of services that are investing and finance activities:	
4,819	Adjust for profit upon sale of assets (offset to proceeds shown in investment section below)	90
(7,298)	**Total Cash Flows from Operating Activities**	**(8,184)**

19b Cash Flows from Investing Activities

2017/18 Activity in Year £'000		2018/19 Activity in Year £'000
6,604	Purchase of Assets	12,519
(5,256)	Proceeds from the Sale of Assets	(2,894)
7,000	Purchase/(Sale) of Long Term Investment	(8,000)
6,254	Purchase / (Sale) of Temporary Investments	15,259
14,602	**Total Cash Flows from Investing Activities**	**16,884**

19c Cash Flows from Financing Activities

2017/18 Activity in £'000		2018/19 Activity in £'000
(465)	(Increase) / Decrease in Debtors (Collection Fund Agencies)	96
1,927	(Increase) / Decrease in Creditors (Collection Fund Agencies)	6,255
1,462	**Total Cash Flows from Financing Activities**	**6,351**

20 Members' Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members and to the maximum amounts payable in respect of certain allowances. Members Allowances are intended to compensate for time spent on all duties in connection with their role as members including special responsibilities undertaken and/or attendance at Council and other meetings as necessary in assisting the Council to discharge its functions. Expenses directly incurred by a member in the conduct of duties may be claimed, within certain limits, where a receipt is provided. These payments are made only for approved duties.

The level of Member Allowances is recommended by an independent remuneration panel. The total of Members' Allowances paid in the year 2018/19 was £590,722 (£581,634 in 2017/18). The increase in total expenditure is due to an increase in Members Allowance approved by the Council in July 2016.

21 Officers' remuneration (including termination benefits)

21a Senior Employee Remuneration

2018/19 Post	Salary (Including fees & allowance) £	Benefit in Kind £	Total Remuneration Excluding Pension Contribution £	Pension Contribution £	Total Remuneration £
Chief Executive (Karen Satterford)	116,941	682	117,623	18,467	136,090
Corporate Director (left 31/12/18)	78,170	511	78,681	12,077	90,758
Major Projects & Estates Executive	88,481	682	89,163	13,073	102,236
Head of HR, ICT and Customer Services	88,481	682	89,163	13,999	103,162
Head of Community Services	88,481	682	89,163	13,999	103,162
Head of Financial Services	93,328	682	94,010	13,999	108,009
Head of Planning & Sustainability	81,371	627	81,998	12,874	94,872
Head of Democratic, Legal & Policy	95,813	0	95,813	14,520	110,333
Head of Environmental Services (started 01/06/2019)	65,311	568	65,879	1,034	66,913
District Solicitor (Monitoring Officer)	72,433	682	73,115	11,479	84,594
	868,810	**5,798**	**874,608**	**125,521**	**1,000,129**

2017/18 Post	Salary (Including fees & allowance) £	Benefit in Kind £	Total Remuneration Excluding Pension Contribution £	Pension Contribution £	Total Remuneration £
Chief Executive (Karen Satterford)	139,471	682	140,153	36,438	176,592
Corporate Director 1 (Left 07/05/17)	11,229	0	11,229	1,669	12,898
Corporate Director 2 (Started 01/01/18)	24,971	170	25,142	3,947	29,089
Major Projects & Estates Executive	86,746	682	87,428	14,652	102,080
Head of HR, ICT and Customer Services	86,746	682	87,428	13,726	101,154
Head of Community Services	86,746	682	87,428	13,726	101,154
Head of Financial Services 1 (Left 21/05/17)	14,788	0	14,788	1,904	16,691
Head of Financial Services 2 (Started 04/12/17)	28,216	222	28,438	4,465	32,902
Head of Planning & Sustainability	85,320	682	86,002	13,502	99,504
Head of Democratic, Legal & Policy	86,746	0	86,746	13,619	100,365
Head of Environmental Services	86,746	682	87,428	13,726	101,154
District Solicitor (Monitoring Officer)	69,482	0	69,482	11,016	80,498
	807,207	**4,484**	**811,691**	**142,390**	**954,081**

The remuneration of senior employees, defined as those who are Heads of Service, Directors, the Chief Executive and those holding statutory posts, or those whose remuneration is £150,000 or more per year, was as set out above.

21b Officers Remuneration

A requirement of the Accounts and Audit Regulations 2015 is for the disclosure of the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting at £50,000. Senior Officers as shown in Note 21 are excluded from this note. Amounts exclude National Insurance payments but include all payments, pension costs, taxable allowances and the monetary value of other employee benefits.

2017/18 No. of Employees	Remuneration Band	2018/19 No. of Employees
9	£50,000 - £54,999	9
9	£55,000 - £59,999	15
10	£60,000 - £64,999	11
6	£65,000 - £69,999	5
10	£70,000 - £74,999	11
0	£75,000 - £79,999	1
0	£90,000 - £94,999	1
44		**53**

21c Termination Benefits

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Packages Cost Band (including special payments)	Number of compulsory Redundancies		Number of other departures		Total number of exit packages by Cost Band		Total Cost of Exit Packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0-£20,000	0	0	1	2	1	2	5	18
£20,000-£40,000	0	1	1	1	1	2	30	54
£40,000-£60,000	0	0	0	0	0	0	0	0
£60,000 upwards	0	0	0	0	0	0	0	0
TOTAL Cost of Redundancies made in year							**35**	**72**
TOTAL Amounts provided for in Comprehensive Income & Expenditure Account for Compulsory Redundancies and other departures							**35**	**72**

22 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 statutory inspections:

2017/18 £'000		2018/19 £'000
62	Fees payable with regard to external audit services	48
17	Fees payable for the certification of grant claims and returns	11
79	**Total**	**59**

23 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2017/18 £'000		2018/19 £'000
	Credited to Taxation and Non Specific Grant Income	
(40)	Government Grants (Not Attributable to Specific Services)	(460)
(3,125)	National Non-Domestic Rates	0
(635)	Revenue Support Grant	(117)
(2,321)	New Homes Bonus	(1,560)
(77)	Transition Grant	0
(6,026)	Developer Capital Contribution	(6,128)
(12,224)	**Total Credited to Taxation and Non Specific Grant Income**	(8,265)
	Credited to Services	
(43,794)	Housing Benefits	(42,775)
(528)	Housing Benefit Admin Grant	(614)
(396)	Council Tax Support Admin and NDR cost of collection	(366)
(1,419)	Improvement Grants (Disabled Facilities Grant)	(1,330)
(220)	Elections (Electoral Registration)	(36)
(158)	Miscellaneous Grants	(541)
(91)	Flexible Homeless Support Grant	(674)
(46,606)	**Total Credited to Services**	(46,336)
(58,830)	**Total Grant Income**	**(54,601)**

24 Contributions received in advance or owed Third Parties

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver or where the Council is holding funds for third parties.

The balances at the year-end are summarised in table on the next page.

2017/18 £'000		2018/19 £'000
(1,431)	Open Space Developer Contribution Unapplied	(971)
(482)	Community Developer Contribution Unapplied	(486)
(232)	Environmental Developer Contribution Unapplied	(192)
(52)	Indoor Leisure Developer Contribution Unapplied	(53)
(32)	CCTV Developer Contribution Unapplied	(32)
(2,510)	On behalf of Affordable Housing Schemes	(3,184)
(4,739)	**Total yet to be applied at Balance Sheet date**	**(4,918)**
(813)	On behalf of Buckinghamshire County Council Transport Schemes	(686)
(5,552)	**Total s106 Developer Contributions Unapplied**	**(5,604)**
(349)	On behalf of other schemes and parties	(81)
(5,901)	**Total held on behalf of third parties**	**(5,685)**

25 Related Parties Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions in this Statement of Accounts allows the readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

Related parties to this authority would include:

- central government;
- local authorities and other bodies precepting or levying demands on the council tax;
- its councillors;
- its chief officers; and
- its pension fund

Members of the immediate family, or the same household of an individual identified as a related party, are also presumed to be related parties.

All significant transactions with the Government, precepting authorities and the Buckinghamshire County Council pension fund have been disclosed elsewhere in this Statement of Accounts. In addition the council made other payments to Buckinghamshire County Council totalling £2,176k in 2018/19 (£2,852k in 2017/18) and undertook work to the value of £1,391k in 2018/19 (£1,317k in 2017/18) on behalf of Buckinghamshire County Council.

The Council made payments to Chiltern District Council of £5,312k in 2018/19 (£4,856k in 2017/18), comprising mostly the joint waste contract of approximately £5,273k. The Council received income from Chiltern District Council to the value of £1,221k in 2018/19 (£1,526k in 2017/18), £1,082k related to the Joint Waste Contract. The council made payments to Aylesbury District Council of £41k in 2018/19 (£256k in 2017/18) and undertook work to the value of £42k in 2018/19 (£111k in 2017/18).

No material transactions took place in respect of councillors and chief officers except for the following:

The Council awards grants to various voluntary and community organisations throughout the district. The award of such grants are all independently approved by the relevant Cabinet Member. District Council members declared interests in voluntary organisations receiving funding from the Council of £259k in 2018/19 (£240k in 2017/18).

A Senior Officer is currently a Director and minority shareholder in Crendon Properties Limited and Wycombe flats Limited. Crendon Properties Limited holds three 125 year ground leases with Wycombe District Council. The Council received payments of £17k from Crendon Properties Limited and made payments of £10k to Wycombe Flats Limited and £3k to Crendon Properties Limited. A second Senior Officer is an Honorary Treasurer at LABC (Local Authority Building Control) Central. The council pays an annual subscription of £100 to LABC Central.

26 Leases

26a Authority as Lessee

i) Operating Leases

The Council has a number of operating leases as follows:

2017/18 £'000		2018/19 £'000
24	Vehicles, Plant and Office Equipment	25
24	**Total Annual Operating Lease Costs**	**25**

The minimum payments due under non-cancellable leases in year are:

2017/18		2018/19
Total £'000		Vehicles, Plant & Equipment £'000
23	Not later than one year	15
9	Later than one year and not later than five years	22
32	**Total Liability**	**37**

ii) Finance Leases

As at 31st March 2019, the Council had £2,390k of finance leases relating to the joint waste contract with Chiltern District Council. These are leases embedded within the service contract and have no net effect on the Council's debt levels.

2017/18 £'000		2018/19 £'000
	Minimum lease payments are made up as follows:-	
849	under 1 year	819
1,276	Later than one year and not later than five years	600
534	later than five years	391
(269)	Future Finance costs	(183)
2,390	**Total Finance Lease Liability**	**1,627**

26b Authority as Lessor

i) Operating Leases

Operating lease rentals received during the year totalled £6,293k (£6,362k in 2017/18). These relate to the Council's property portfolio.

ii) Finance Leases

The Authority has leased out a property to Beacon Investments LLP. The gross investment is made up of the following amounts;

	31 March 19 £'000
Finance lease debtor (NPV of min lease payments)	
Current	20
Non current	463
Unearned finance income	396
Total Gross Investment in the Lease	**879**

	Gross Investment in Lease 31 March 19 £'000	**Minimum Lease Payments 31 March 19 £'000**
Not later than one year	38	20
later than one year and not later than five years	138	71
later than five years	703	392
Total	**879**	**483**

27 Defined Benefit Pension Scheme

27a 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 the Local Government Pension Scheme, administered locally by Buckinghamshire County Council. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

27b Transactions Relating to Post-Employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year:

31 Mar 18 £'000		31 Mar 19 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
3,597	• Current Service Cost	3,727
(185)	• Settlements and Curtailments	1,059
	Financing and Investment Income and Expenditure	
143	• Administration Expense	128
1,780	• Net Interest on the defined liability (asset)	1,574
5,335	**Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**6,488**
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Account:	
	Remeasurement of the net defined benefit liability comprising:	
(4,426)	• Return on fund assets	(2,419)
(3,692)	• Actuarial losses arising on changes in financial assumptions	8,971
0	• Actuarial losses arising on changes in demographic assumptions	(12,162)
(8,118)	**Other Post Employment Benefit Charged to the CIES**	**(5,610)**
	Movement in Reserves Statement	
(5,335)	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(6,488)
1,610	• Employer's contributions payable to the scheme	1,611
(3,725)	**Actual amount charged against the General Fund Balance**	**(4,877)**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

27c Assets and Liabilities, Gains and Losses

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The net liability of £59.1m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 Mar 18 £'000		31 Mar 19 £'000
(213,689)	Present value of liabilities in the Local Government Pension	(214,930)
151,164	Fair value of assets in the Local Government Pension Scheme	153,138
(62,525)	**Deficit in the scheme**	**(61,792)**

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payment fall due), as assessed by the scheme actuaries.

The employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £1.6m.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement for 2018/19 is a gain of £7.2m.

Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

31 Mar 18 £'000		31 Mar 19 £'000
(214,236)	Opening balance at 1 April	(213,689)
(3,597)	Current service costs	(3,727)
(5,697)	Interest cost	(5,376)
3,692	Actuarial losses arising on changes in financial assumptions	(8,971)
0	Actuarial losses arising on changes in demographic assumptions	12,162
(715)	Contributions by scheme participants	(750)
6,475	Benefits paid	6,480
389	Liabilties (assumed) / extinquished on settlements	(1,059)
(213,689)	**Closing Balance at 31 March**	**(214,930)**

Reconciliation of fair value of the scheme assets:

31 Mar 18 £'000		31 Mar 19 £'000
147,318	Opening balance at 1 April	151,164
1,610	Employer Contributions	1,611
3,917	Interest on Assets	3,802
715	Contributions by scheme participants	750
4,426	The return on Plan Assets, excluding the amount included in the net interest expense	2,419
(6,475)	Benefits paid	(6,480)
(204)	Settlement Prices received / (paid)	0
(143)	Administration Expenses	(128)
151,164	**Closing Balance at 31 March**	**153,138**

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 experiences in the respective markets. The actual return on scheme assets in the year was a gain of £7.8m (2017/18 gain of £4.4m).

The Scheme assets consist of the following categories, by proportion of the total assets held:

31 Mar 18 %		31 Mar 19 %
56	Equity Instruments	52
22	Bonds	27
	By sector:	
9	Corporate	15
13	Government	12
22	Property & Alternative	21
	By type:	
7	Property	7
4	Cash	3
1	Alternative Assets	1
5	Hedge Fund	5
5	Absolute Return Portfolio	5
100		**100**

27d 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. Liabilities are discounted to their value at current prices, using a discount rate of 2.40% based on the annualised Merrill Lynch AA rated corporate bond yield curve.

The Assests attributable to the Council are included in the balance sheet at their fair value at bid price.

27e Principal Assumptions

The principal assumptions used by the actuary were:

2017/18		2018/19	Sensitivity to Change		
			£000s	£000s	£000s
	Adjustments to:				
	Discount Rate		**+0.1%**	**0.0%**	**-0.1%**
	Present Value of Obligation		211,295	214,930	218,631
2.6%	Rate of inflation	2.40%	3,781	3,870	3,961
	Pension Increases		**+0.1%**	**0.0%**	**-0.1%**
	Present Value of Obligation		218,348	214,930	211,569
2.4%	Rate of Pension Increase	2.45%	3,961	3,870	3,781
	Increase in Salaries		**+0.1%**	**0.0%**	**-0.1%**
	Present Value of Obligation		215,208	214,930	214,654
3.9%	Rate of Salaries Increase	3.95%	3,870	3,870	3,870
	Life Expectancy Assumptions		**+1 Year**	**None**	**-1 Year**
	Present Value of Obligation		222,714	214,930	207,419
2.6%	Rate for discounting scheme liabilities	2.40%	4,003	3,870	3,741
	Liabilty Assumptions (mortality)				
	Longevity at 65 for current pensioners				
24.0	Men	22.9			
26.1	Women	24.8			
	Longevity at 65 for future pensioners				
26.2	Men	24.6			
28.4	Women	26.6			

* Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, there has been allowed a short term overlay from 31st March 2016 to 31st March 2020 for salaries to rise in line with CPI.

27f McCloud

The accounting effects of the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme have been assessed. The Council's actuary has considered the impact estimates disclosed in the *Potential impact of McCloud/Sargeant ruling on pension accounts disclosures* paper prepared by the Government Actuary's Department (GAD) alongside the IAS19 disclosure report prepared for the Council in forming conclusions. In terms of revised estimates, the effect on the Council's total liabilities at 31 March 2019 is 0.5% of total liabilities (which equates to £1,025k) and the impact on the projected service cost for the year to 31 March 2020 will be 2.2% of the service cost, equating to £84k.

28 Nature and Extent of Risk

28a Disclosure of Nature and Extent of Risk arising from Financial Instruments

Financial Instruments - Balances

	Long-Term		Current	
	31-Mar-19 £'000	**31-Mar-18 £'000**	**31-Mar-19 £'000**	**31-Mar-18 £'000**
Investments				
More than one year	5,000	13,000		
Less than one year			55,552	40,516
Debtors	7,823	10,960	8,824	6,946
Cash and Cash Equivalents			4,260	19,311
Creditors	0	0	(10,947)	(13,458)
Available for Sale Investments	0	0	7,283	7,061

Income, Expense, Gains and Losses from Financial Instruments	**31-Mar-19 £'000**	**31-Mar-18 £'000**
Investment Interest/gains from treasury activity	(1,128)	(220)

Fair Value

Financial liabilities and financial assets represented by, creditors, investments and debtors are carried on the Balance Sheet at amortised cost. The Council considers that the market value of these instruments is not materially different from their carrying value (amortised cost) given their duration and nature of the transactions.

Where an investment that has a maturity of under one year, or has a variable rate of interest, is a creditor or a trade debtor then the fair value is taken to be the repayment outstanding or the invoiced amount.

The financial instrument that is subject to fair value is the available for sale investment in the Local Authorities' property fund is valued at the bid price on 31 March 2019**.**

Key Risks

The Council's activities expose it to a variety of financial risks.

The key risks are:

Credit risk	The possibility that other parties might fail to pay amounts due to the Council;
Liquidity risk	The possibility that the Council might not have funds available to meet its commitments to make payments;
Re-financing risk	The possibility that the Council might be requiring to renew a financial instrument at disadvantageous interest rates or terms;
Market risk	The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

28b Overall procedures for managing risk

The Council has adopted the CIPFA Code of Practice on Treasury Management and complies with the Prudential Code for Capital Finance in Local Authorities. As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments. Full details of the Council's Treasury Management Strategy can be found on the Council website.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government (DCLG) Investment Guidance for local authorities. In compliance with the guidance, the Council invests its funds prudently and has regard to the security and liquidity of its investments before seeking the highest rate of return.

28c Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are only made with banks and financial institutions when they meet the minimum requirements of the investment criteria set out in the Treasury Management Strategy. This is based on Credit ratings from the Fitch, Moody's, and Standard and Poor credit rating agencies. The Strategy also imposes a maximum amount and time to be invested with a financial institution located within each credit rating category. Information relating to the counterparties is constantly monitored and action taken should any institution fail to meet the minimum criteria.

The table on the next page summarises the investment's credit quality and maturity analysis at 31 March 2019:

	Instant Access Accts £'000	0-3 Mths £'000	3-6 Mths £'000	6-12 Mths £'000	Over 12 Mths £'000	Total £'000
AAA/AA+ related counterparties	4,800	0	0	0	0	4,800
AA/AA- rated counterparties	0	10,000	3,000	13,000	5,000	31,000
A+/A rated counterparties	0	1,000	9,000	10,000	0	20,000
A- rated counterparties	155	0	0	9,000	0	9,155
BBB+ & unrated counterparties	0	0	0	0	0	0
Unrated	0	0	0	0	0	0
TOTAL	**4,955**	**11,000**	**12,000**	**32,000**	**5,000**	**64,955**
Historical experience of default	*0.000%*	*0.005%*	*0.014%*	*0.032%*	*0.039%*	

The Council does not generally allow credit for customers. Trade debtors of £8,823k are accounted for inclusive of Provision of doubtful debt where there is a risk of non-payment.

28d Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Council has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The Council ensures that it has ready access to borrowings from the money markets to cover any day to day cash flow need. It currently has no long term borrowing. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

28e Market Risk

The Council's cash investments are exposed to interest rate movements. For instance, a rise in variable and fixed interest rates would have the effect of increasing the income credited to the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council’s prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. A positive movement of 1% in rates received on average investment balances of £70m would generate additional investment income of £700k.

29 Special Expenses

Such expenses are incurred within the unparished area of High Wycombe and are levied only on the taxpayers of that area. The Gross Income and Expenditure of these have been included within the Comprehensive Income & Expenditure Account.

31-Mar-18 Restated £'000		31-Mar-19 £'000
155	Recreation Grounds	153
91	Cemetery	165
79	Other Services	50
325	**TOTAL EXPENDITURE**	**368**
	Financed by:	
(12)	Capital Resources	(12)
(408)	Collection Fund and Council Tax Support Funding	(412)
(4)	Interest	(7)
(424)	**TOTAL INCOME**	**(431)**
(934)	Balance at Year Start	(1,033)
(99)	Surplus for the Year	(63)
(1,033)	**Balance at Year End**	**(1,096)**

30 Higginson Park Trust

The Charity provides a range of indoor and outdoor sports and recreational opportunities to the Marlow community with access for all to make use of the available facilities. The Charity is currently regulated by a Scheme of the Charity Commissioners of 19 January 1982 with Wycombe District Council being the sole Trustee. The Trustee is entitled to use the charity's income for the cost of repairs, insurance, and other expenditure in respect of the property including incidental administration and management expenses.

31-Mar-18 £'000		31-Mar-19 £'000
	Statement of Financial Activity	
(377)	Income	(414)
430	Expenditure	335
53	**Total Net Deficit**	**(79)**
	Balance Sheet	
5,356	Fixed Assets	9,084
94	Net Current Assets	266
5,450	**Total Assets Less Current Liabilities**	**9,350**
	Charity Funds	
5,356	Restricted Income Funds	9,084
94	Unrestricted Income Funds	266
5,450	**Total Charity Funds**	**9,350**

31 Chiltern Crematorium Joint Committee

The Council is one of three constituent members of the Chilterns Crematorium Joint Committee, along with Aylesbury Vale and Chiltern District Council.

The joint committee manages the crematorium and associated facilities located at Amersham and Bierton (opened to the public in April 2019). Under the terms of the Joint Committee, any deficit or surplus earned by the Joint Committee is shared between the constituent authorities on the basis of the number of cremations from the area of each authority, in comparison to total cremations.

Wycombe District Council's share of the accumulated reserves is £1.1m (£2.5m 2017/18), the significant movement in the balance was primarily due to the capital expenditure on the new crematorium site in Bierton, this opened to the public in April 2019. As approved by the Medium Term Financial Strategy in January 2019, £750k of the total surplus has been released to the constituent authorities in April 2019 and the Council's share of this surplus is £308k. The remaining surplus will be retained by the Joint Committee for working capital purposes and to meet scheduled future capital investment.

The assets and liabilities of the Joint Committee have not been consolidated into the Council's accounts, reflecting the separate statutory nature of the service.

In the event of the Joint Committee ceasing to exist, any assets held are vested in the authority in which the assets are located. In this case, the assets would transfer to Chiltern District Council.

31-Mar-18 £'000	Local Authority	2018/19 Surplus £'000	Spend on Bierton Crematorium £'000	31-Mar-19 £'000
1,843	Aylesbury Vale	329	-1,323	**849**
1,678	Chiltern	294	-1,275	**697**
2,530	Wycombe	458	-1,885	**1,103**
6,051		**1,081**	**-4,483**	**2,649**

32 Contingent Liabilities

VAT Shelter Arrangement
As part of the transfer agreement the Council provided a VAT guarantee to Red Kite Community Housing (RKCH) to pay up to a maximum sum of £22m should RKCH be unable to fully recover VAT on the qualifying works included within valuation due to an event outside their control. It is the Council's current opinion that the VAT shelter will not fail.

Warranties
The Council has agreed to a number of warranties under the Transfer Agreement, these are common place in such negotiations. The key warranties that continue to apply for the Council in respect of contingent liabilities are (a) asbestos indemnity and (b) environmental pollution.

Asbestos Indemnity
For cases that relate to pre-transfer of the housing stock to RKCH in December 2011, the Council indemnified RKCH for all costs, claims and lawsuits which arise from any person being exposed to asbestos unless there is negligence on the part of RKCH. This warranty runs for the first thirty years after the sale date.
The indemnity also covers the cost of removal, treatment or encapsulation of asbestos within properties to be paid by the Council provided that RKCH have firstly spent the £1.1m (inclusive of fees) within the original valuation. The Council understands that this sum is likely to be exceeded but has not yet had access to information to yet establish the extent of any claim.

Environmental Pollution
Other than that which is disclosed as part of the transfer agreement and amongst other things, the Council has warranted that: it has complied in full with all environmental legislation; that it has obtained and complied with all environmental approvals necessary for the ownership and use of the property; that there is no environmental claim which is current, pending or threatened; that no dangerous substance is present at, in or under any property; that no part of the property has been or is in such a condition that it could be designated as contaminated. The Council is not aware of any claims under this warranty. The Council has separately taken out Environmental Insurance covering the first 15 years of this period.

SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND

2017/18 £'000		Note	2018/19 Council Tax £'000	2018/19 Business Rates £'000	2018/19 TOTAL £'000
	INCOME				
(111,146)	Council Tax Payers	*CF2*	(118,978)	0	(118,978)
(70,604)	Business Rate Payers	*CF3*	0	(70,287)	(70,287)
(181,750)	**Total Income**		**(118,978)**	**(70,287)**	**(189,265)**
	EXPENDITURE				
	Precepts and Demands				
34,688	Central Government		0	35,850	35,850
88,025	Buckinghamshire County Council		87,899	6,453	94,352
11,433	Thames Valley Police & Crime Commissioner		12,410	0	12,410
4,781	Bucks & Milton Keynes Fire Authority		4,269	717	4,986
39,601	Wycombe District Council		12,401	28,680	41,081
	Charges to Collection Fund				
1,176	Write offs of uncollectable amounts		450	397	847
799	Increase / (decrease) in bad debt provision		5	(265)	(260)
2,195	Increase / (decrease) in provision for appeals		0	(932)	(932)
234	Cost of Collection		0	232	232
182,932	**Total Expenditure**		**117,434**	**71,132**	**188,566**
1,182	**(Increase) / Decrease in Collection Fund Balance**		(1,544)	845	(699)
898	Fund Balance - (Surplus) / Deficit at 1 April		(2,439)	2,507	68
(1,616)	Contribution to/(from) previous year estimated surplus/(deficit)		2,404	3,751	6,155
464	**Fund Balance - (Surplus) / Deficit at 31 March**		(1,579)	7,103	5,524

NOTES TO THE COLLECTION FUND

CF1 The Fund

These accounts represent the transactions of the Collection Fund. The Fund is required under statute to record the amount collectable from residents in their role as Council Taxpayers and Businesses liable to pay the Business Rate. The proceeds of Council Tax & Business Rates are shared between the Council and its partner organisations as detailed in Note CF3 below.

Wycombe District Council's own entitlement to this income is shown on the Comprehensive Income & Expenditure Account

CF2 Council Tax Payers & Precepting Authorities (Fund Outturn for the Year)

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2017/18.

Equivalent Number of Band D Dwellings 2017/18	Valuation Band	Total Chargeable Dwellings	Conversion Faction (Proportion)	Equivalent Number of Band D Dwellings 2018/19
-	A (Disabled Relief)	0	0.56	-
757.07	A	1157.04	0.67	775.22
5,139.54	B	6668.04	0.78	5,201.07
14,322.19	C	16219.07	0.89	14,434.97
11,150.28	D	11641.44	1.00	11,641.44
12,328.16	E	10149.81	1.22	12,382.77
11,881.22	F	8264.84	1.44	11,901.37
10,956.37	G	6584.41	1.67	10,995.96
1,958.80	H	988.1	2.00	1,976.20
68,493.63		**61672.75**		**69,309.00**
(1,354.46)	Less: Allowance for losses on collection			(1,225.50)
67,139.17	**Council Tax Base for the Year (number of weighted properties Band D) (X)**			**68,083.50**
1,627.01	**Average Council Tax at Band D level (Y)**			**1,718.16**
109,236	**Council Tax budgeted for the year (£'000) (X multiplied by Y)**			**116,978**

CF3 Business Rate Payers

In line with the Local Government Act 2003, from 1 April 2005, all business premises are subject to a tax known as Non-Domestic Rates (NDR). The tax is calculated using local rateable values which are then multiplied by a uniform rate.

The Council is responsible for collecting the total amount of NDR payable, less certain reliefs and other deductions, and paying a percentage over to Central Government and Major Preceptors. The Council retains 40% of NDR receipts which are recorded in the Comprehensive Income & Expenditure Statement.

The relevant rateable value and multiplier data is shown below:

2017/18		2018/19
£177,335,287	Total Non-domestic Rateable Value at 31 March	£175,216,650
49.7p	National Non-domestic Rate Multiplier - Full	49.3p

CF4 Preceptor Debtor / Creditor Balances

The Council has to reflect balances held in respect of its own share of Council Tax and Non-Domestic Rates debt. The remaining balances are reflected within the Balance Sheet as debtors or creditors with major preceptors and the Government depending on whether the cash paid over to them is more or less than their attributable share of Council Tax or NDR due for the year, net of any provision for bad debts.

	31 March 2018			31 March 2019		
	Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
Wycombe District Council	(265)	1,162	897	(166)	2,841	2,675
Central Government	0	1,451	1,451	0	3,552	3,552
Bucks County Council	(1,828)	261	(1,567)	(1,185)	639	(546)
Thames Valley Police Authority	(255)	0	(255)	(170)	0	(170)
Bucks & Milton Keynes Fire	(91)	29	(62)	(58)	71	13
Collection Fund (Surplus)/Deficit	**(2,439)**	**2,903**	**464**	**(1,579)**	**7,103**	**5,524**

INDEPENDENT AUDITOR'S REPORT

Opinion

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

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- the related notes 1 to 32
- Collection Fund and the related notes CF1 to CF4.

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 Wycombe 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 Head of Finance and Commercial's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Head of Finance and Commercial has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, set out on pages 4 to 12, other than the financial statements and our auditor's report thereon. The Head of Finance and Commercial 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, Wycombe 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.

Responsibility of the Head of Finance and Commercial

As explained more fully in the Statement of the Head of Finance and Commercial's Responsibilities set out on page 15, the Head of Finance and Commercial 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 Head of Finance and Commercial 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 Wycombe 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 Wycombe 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.

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 Wycombe 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 Wycombe 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 Wycombe District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading

17 October 2019

The maintenance and integrity of the Wycombe District Council website 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.

ANNUAL GOVERNANCE STATEMENT 2018/2019

Introduction

Both the Leader and the Chief Executive recognise the importance of having a system of rules, policies and procedures in place to ensure that information is available to help, shape and direct the way in which services are managed and delivered.

Each year, the Council is required to produce an Annual Governance Statement (AGS) which explains how its corporate governance arrangements have been working in practice.

The AGS and the Local Code of Governance in respect of 2018/19 was presented to the Audit Committee at its meeting in May 2019, for their review and comment prior to submission of the AGS to the Leader and Chief Executive for formal sign off alongside the Annual Accounts.

Scope of responsibility

This statement covers the period 1 April 2018 to 31 March 2019

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

Wycombe 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.

This statement explains how Wycombe District Council meets the requirements of the Accounts and Audit Regulations, which are made under the Local Audit and Accountability Act 2016, in that it must have in place a sound system of internal control that:

(a) facilitates the effective exercise of the Council's functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the Authority is effective; and
(c) includes effective arrangements for the management of risk.

In discharging this overall responsibility, Wycombe District Council is responsible for putting in place proper arrangements for the governance of its affairs.

Impact of modernising local government

Following the Governments decision in November 2018, to abolish Wycombe District Council by 31st March 2020 and to create a new Unitary Council from 1st April 2020, has had a significant impact on the time and resources that are both required and available to implement previously agreed improvement areas. This is reflected in the commentary contained in the heading: Local Code of Corporate Governance and Review of Effectiveness, on page 79 of this report.

In addition as the Council moves into 2019/20 this will be an exceptional year, however resources will be available to ensure that there is not a decline in the key assurance processes and we continue to be mindful of our overarching corporate governance responsibilities and we will ensure that Wycombe continues to operate within the regulatory framework up till the point of abolition.

Wycombe District Council needs to be able to ensure that not only are its governance arrangements sound but are capable of being evidenced as being sound.

The purpose of the governance framework

Our governance framework comprises the systems and processes, and cultural values, by which the Authority is directed, 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, cost-effective services.

Our system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate risks 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 on-going process designed to identify and prioritise the risks to the achievement of Wycombe District Council 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.

This governance framework has been in place at Wycombe District Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The governance framework

In 2016, guidance was issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (Solace) “Delivering Good Governance in Local Government Framework 2016 Edition” (referred to as Delivering Good Governance) and this formed the basis of the Councils Local Code of Governance as well as this AGS. The guidance is split into seven core principles which are detailed below:

A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B Ensuring openness and comprehensive stakeholder engagement.

C Defining outcomes in terms of sustainable economic, social and environmental aspects.

D Determining the interventions necessary to optimise the achievement of the intended outcomes

E Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

F Managing risks and performance through robust internal control and strong public financial management.

G Implementing good practice in transparency, reporting, and audit to deliver effective accountability

Commitments

It is important that Wycombe District Council’s approach to effective governance is understood by all. The following 7 goals demonstrate Wycombe District Councils’ approach to good governance.

- ❖ Clearly set out Wycombe’s objectives and what it is trying to achieve.
- ❖ Measure and publicise how effective Wycombe’s services are and take action to improve where performance is below target.
- ❖ Making best use of public money by taking prudent and risk based financial decisions and measuring the value for money it achieves.
- ❖ Clear Constitution that sets out who can take which decisions.
- ❖ Members and Officers behaving in ways that reflect Wycombe’s values and high standards of conduct.
- ❖ Record and publish the decisions that Wycombe takes and the reasons for them and where possible makes the most important decisions in public.
- ❖ Have in place a scrutiny function that holds the Executive to account.

Local Code of Corporate Governance and Review of Effectiveness.

Wycombe 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

It is important to acknowledge that many of the key governance mechanisms referred to in the Local Code are relatively static in terms of currency and do not tend to alter over time.

However it is the review of their effectiveness in practice rather than a review of their existence that demonstrates the efficacy of the Council’s AGS for 2018/9.

During 2018/19, Officers have fully implemented 3 of the 7 Areas for Improvement from the review of the Local Code in 2017/18, these being:

1. Annual report summarising service improvements is produced as a result of feedback the Council has received.

2. Progress is reported on an annual basis to assess the implementation, delivery and monitoring of the refreshed corporate plan.
3. Progress is now reported as part of the quarterly financial and performance process.

However, the remaining 4 areas of the agreed areas for improvement from previous action plans have not been delivered, in part due to the long lead times compared to the benefits that would be achieved for a Council that will be abolished by 31st March 2020 and secondly resources have been redirected during 2018/19 in order to prepare for the introduction of the new Unitary Council in April 2020.

Detailed below are the improvement areas that will not be delivered:

- Review covering both the Constitution and the wider decision making & governance arrangements.
- Review to assess the purpose and content of the current Communications policy.
- Review to refresh and update the current Engagement strategy.
- The commissioning of a Household Survey during 2018/19.

Assurance has been provided from the following officers:

- Chief Executive and Corporate Director as regards an assurance as regards organisational governance.
- Monitoring Officer as regards an assurance in relation to the Councils Legal governance arrangements.
- Section 151 Officer as regards an assurance in relation to the Councils financial governance arrangements.

The publication of our Annual Governance Statement and Local Code the meets the requirement of the Accounts and Audit (England) Regulations 2016, and the AGS accompanies the Annual Financial Accounts report which is available on the Council's website.

OVERALL ASSESSMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee.

Katrina S A Wood

Leader of the Council

Chief Executive
On behalf of Wycombe District Council

Date: 30th May 2019

Date: 30th May 2019

Glossary of Terms

Accounting Period	The period of time covered by the accounts, normally a period of twelve months commencing on 1 April for local authority accounts. The end of the accounting period is the Balance Sheet date.
Accounting Policies	The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.
Accruals	Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.
Actuarial Gains and Losses	These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have changed.
Amortisation	The reduction of the value of an intangible asset by spreading its cost over a period of years.
Annual Governance Statement	The Annual Governance Statement is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.
Appointed Auditors	The Council's appointed auditors are Ernst & Young (EY)
Appropriation	The transfer of resources between reserves
Asset	An item having value measurable in monetary terms. Assets can either be defined and fixed or current. A fixed asset has use and value for more than one year whereas a current asset (e.g. short-term debtors) can readily be converted into cash.
Balance Sheet	A financial statement summarising the financial position of the Council, in particular its assets, liabilities and other balances at the end of each accounting period.
Billing Authority	A local authority responsible for collecting Council Tax and Non-Domestic Rates (Business Rates).
Budget	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
Business Rates (NDR)	Rates are payable on business premises based on their rateable value (last assessed in the 2010 Rating List by the Valuation Office Agency) and a national rate poundage multiplier.
Capital Adjustment Account	A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.
Capital Expenditure	Expenditure for the acquisition, construction, enhancement or replacement of fixed assets that will be used in providing services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants and capital contributions.
Capital Receipts	Income received from the sale of land, buildings and equipment. Proportions of capital receipts can be used to repay debt on Long Term Assets or to

	finance new capital expenditure, within rules set down by government, but cannot be used for revenue purposes.
Cashflow Statement	A statement that summarises the inflow and outflows of cash within the Council's accounts.
CIPFA	Chartered Institute Of Public Finance and Accountancy The professional institute for accountants working in the public services.
Collection Fund	A statutory fund maintained by the Council, which is used to record council tax and non-domestic rates collected by the Council, along with payments to central Government, precepting authorities and its own general fund.
Community Assets	This is the land and property that the Council intends to hold forever. They generally have no determinable useful life and there are often restrictions regarding their sale. Examples include open spaces.
Contingent Asset	Potential gains and losses for which a future event will establish whether an asset exists and for which it is inappropriate to set up a debtor in the accounts.
Contingent Liability	A contingent liability is either: (i) A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or (ii) A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.
Council Tax	Council tax is levied on households and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.
Creditor	This term applies to money the Council owes to others for work done or goods and services it has received during the financial year but not paid for at the end of the accounting period.
Current Service Cost (Pensions)	The increase in present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Defined Benefit Scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.
Debtor	This term applies to money that others owe to the Council for work done or goods and services that have been provided to them by the Council during the financial year but have not been paid for by the end of the accounting period.
Depreciation	A measure of the cost or amount of benefit of a non-current asset that has been consumed during the period.
Earmarked Reserves	These are funds set aside for a specific purpose, or a particular service, or type of expenditure.
Expected Rate of Return on	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over

Pension Assets	the remaining life of the related obligation on the actual assets held by the scheme.
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.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the lease.
General Fund	The Income and Expenditure of the Council as defined by Statute as distinct from definition by IFRS Financial Reporting Standards.
Heritage Assets	Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Authority's history and local area.
Houses in Multiple Occupation (HMO's	WDC has a duty to licence Houses in Multiple Occupation. A rented property is considered a House in Multiple Occupation if: (i) at least three tenants live there, forming more than one 'household' (ii) the tenants share toilet, bathroom and/or kitchen facilities
IFRS	International Financial Reporting Standards.
Impairment	This is a reduction in the value of Property or Plant as shown in the balance sheet to reflect its true value.
Infrastructure Assets	Fixed assets that have no alternative use and are intended to be held in perpetuity. Examples of infrastructure assets are highways and footpaths.
Investments	Short-term investments are those maturing within one year if the balance sheet date, any investments maturing more than one year after the balance sheet date are treated as long-term investments.
Investment Properties	Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential.
Long Term Debtors	Amounts due to the Council more than one year after the Balance Sheet date.
Net Book Value (NBV)	The amount at which Property, Plant & Equipment is included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.
Net Current Replacement Cost	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Operational Assets	Long Term Assets held by an organisation but not directly occupied, used or consumed in the delivery of services. An example of a non-operational asset is an investment property or an asset being held pending its sale.
Operational Assets	Long Term Assets held by the Council and used or consumed in the delivery of its services.
Operating Lease	An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.
Pension Fund	An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.
Precept	The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. District Councils) to meet its expenditure requirements.
Projected Unit Method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: (i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and (ii) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.
Property Plant & Equipment	Tangible assets that benefit the local authority and the services it provides for a period of more than one year.
Provisions	Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.
Related Parties	Two or more parties are related parties when at any time during the financial period: (i) one party has direct or indirect control of the other party; or (ii) the parties are subject to common control from the same source; or (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests
Related Party Transaction	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.
Residual Value	The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Revenue Expenditure Financed By Capital Under Statute (REFCUS)	Expenditure that may be classified under legislation as capital but does not result in the creation of a non-current (fixed) asset on the Balance Sheet. This expenditure is generally charged to the relevant service revenue account in the year incurred with a corresponding credit to the Statement of Movements in Reserves to ensure there is no cost to the General Fund.
Revenue Support Grant (RSG)	This funding is the Government Grant provided by the Department for Communities and Local Government (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.
Scheme Liabilities (Pensions)	The liabilities of a defined scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
Service Reporting Code of Practice (SeRCOP)	CIPFA's Service Reporting Code of Practice sets out the financial reporting guidelines for local councils. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting.

Report For:	Audit Committee
Meeting Date:	Audit 10 October 2019
Part:	Part 1 - Open
If Part 2, reason:	N/A

Title of Report:	TREASURY MANAGEMENT MID-YEAR REPORT (2019/20)
Officer Contact: **Direct Dial:** **Email:**	David Skinner 01494 421322 david.skinner@wycombe.gov.uk
Ward(s) affected:	All
Reason for the Decision:	To promote effective financial management and comply with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended and other relevant guidance. The Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy.
Proposed Decision/Recommendation:	The treasury management mid-year report for 2019/20, covering the period 1 April 2019 to 30 September 2019 be considered and noted.
Sustainable Community Strategy/Council Priorities – Implications:	Treasury Management activities play a significant role in supporting the delivery of the Council's services and corporate priorities. Risk: The key financial risks relating to the treasury activity are set out in the main body of the report. Equalities: Not applicable Health and Safety: Not applicable
Monitoring Officer/ Section 151 (s151) Officer Comments:	**Monitoring Officer:** The reports meet the relevant criteria for effective financial management pursuant to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (under Part 1 of the Local Government Act 2003) as amended and other relevant guidance **Section 151 (s151) Officer:** This is a Section 151 Officer report and all the financial implications are included in the Report
Consultees:	Not applicable for this Report

Options:	Not applicable for this Report
Next Steps:	Consideration and noting by the Cabinet on Monday 11th November 2019 of all Treasury activities within the half-year to 30 September 2019 as set-out within this Report
Background Papers:	Treasury Management Strategy approved by Council in February 2019
Abbreviations:	- s151 Officer – the Council's Section 151 Officer and appropriate individual charged with overseeing the Council's governance obligations. This is Head of Finance and Commercial; - CIPFA – the Chartered Institute of Public Finance and Accountancy; - CFR – Capital Financing Requirement; - Treasury Management Strategy Statement (TMSS); - London Interbank Bid Rate (LIBID); - London Interbank Offered Rate (LIBOR); - Brexit – the United Kingdom's exit from the European Union (EU). This is currently scheduled to occur on Thursday 31 October 2019.

Appendices to this Report are:

Appendix A – Finance Department Paper on UK Banks

Appendix B – Economics and Interest Rates Data (as at 30 September 2019) supplied by Link Asset Services

Executive Summary

The primary purpose of this Report is to meet the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011).

This is a mid-year summary of Treasury Management activities. The Report documents progress made during the 2019/20 financial year against the Strategy approved by Council on 13 February 2019.

It is recommended that the Committee considers and notes the Report. This Report will be considered by the Cabinet on 13 November 2019.

Background

1. The Council operates a balanced budget. This broadly means that the total cash raised during a financial year will meet cash expenditure. A primary objective of the Council's Treasury Management function is to ensure that cash flow requirements are adequately planned, with surplus funds invested in low-risk counter-parties only. A key concern is that these investments offer adequate liquidity in preference to the acquisition of any financial return.
2. A secondary role of the Treasury Management function is the funding of the Council's capital plans. These plans provide a guide to the borrowing needs of the Council, essentially longer-term cash flow planning to ensure that the Council is able to meet its capital spending commitments. The monitoring of cash over longer periods may involve the arrangement of short-term or long-term loans, and on occasion debt previously drawn may be restructured to meet the Council's risk or cost objectives.
3. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) has been adopted by this Council.
4. Treasury Management is defined as:

   "The management of the Local Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
5. The primary requirements of the CIPFA Code are as follows:
   a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities;
   b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
   c. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy for the forthcoming financial year, a mid-year Treasury Report and an Annual Report (Stewardship Report) summarising activities during the previous year;
   d. Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of treasury management decisions;

e. Delegation by the Council of the role of scrutiny of the Treasury Management Strategy and policies to a specific named body. For this Council, the delegated body is the Audit Committee.

6. The purpose of this Report is to satisfy the mid-year reporting requirements and the Report covers the following elements for the 2019/20 financial year:

- A review of the Treasury Management Strategy Statement (TMSS) (Paragraph 7);
- The Council's Capital Position and Prudential Indicators (Paragraphs 8 to 11);
- A review of the Council's Investment Portfolio & Review of Investment Strategy (Paragraphs 12 to 16);
- A review of the Council's Borrowing Strategy and Debt Rescheduling (Paragraphs 17 to 19);
- Other updates (Paragraphs 20 to 21);
- Paper on UK Banks (Appendix A);
- Economics and Interest Rate Data (as at 30 September 2019) supplied by Link Asset Services (Appendix B).

Treasury Management Strategy Statement

7. The TMSS was approved by full Council on 13 February 2019. There are no policy changes to the TMSS; the details in this Report update the position in light of the updated economic outlook and all budgetary changes already approved.

The Council's Capital Position

8. This part of the Report provides an update on:

- The Council's capital expenditure and funding plans;
- The impact of any changes in capital expenditure plans on the Prudential Indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activities.

Capital Expenditure and Funding

9. The Table below illustrates the forecast outturn as at Quarter 2 for capital expenditure and the expected financing arrangements for this same capital expenditure:

2019/20	Approved Programme (February 2019 Council) £000	Revised Programme £000	Forecast Outturn £000
Capital Expenditure:			
Community	3,825	4,217	4,376
Economic Development and Regeneration	25,245	8,850	8,760
Housing	7,300	4,898	5,356
Environment	2,130	2,130	2,130
Planning	11,266	5,919	5,740
Digital Development and Customer Services	1,671	1,388	1,388
Finance and Resources	308	308	308
Total	**51,745**	**27,710**	**28,058**
Financed by:			
Capital receipts	24,511	4,627	5,291
Grants and contributions	15,748	9,653	9,337
Revenue	11,486	13,430	13,430
Total	**51,745**	**27,710**	**28,058**

The £24m reduction from the Budget agreed at September 2019 Cabinet reflects the re-profiling of Budgets into 2020/21 and later years. There is a strong focus on delivery of the programme in 2019/20 supported by a rigorous programme management process. The re-profiling of some budgets on larger Schemes takes account of the degree of complexity and detailed work required on planning, legal and procurement activities on the more complex Schemes.

Prudential Indicators

10. The Table on the next page discloses the following:

- **Capital Financing Requirement (CFR)** – The CFR measures the extent to which capital expenditure has not yet been financed from either Revenue or Capital resources. This indicator is essentially a measure of indebtedness and therefore a guide as to the Council's underlying borrowing needs. Any capital expenditure which has not immediately been financed or paid for will increase the CFR;

- **Authorised Limit for External Debt** – This is the limit prescribed by Section 3(1) of the Local Government Act 2003 and represents the maximum level of borrowing that the Council may incur. This sum reflects the amount of external debt which, while not desired, could be afforded by the Council in the short-term. It should be noted that this commitment may not be sustainable over a longer period;

Operational Boundary – This is the limit that indicates the level of external debt that the Council should not normally expect to exceed. This threshold is based upon current debt plus anticipated net financing needs in respect of forthcoming financial years.

Capital Financing Requirements	2019/20	2019/20	2019/20
	Approved	Revised	Forecast
	£m	£m	£m
Gross Projected Debt	0.790	0.790	0.790
CFR (31 March)	3.943	3.943	3.943
Under Borrowing	**3.153**	**3.153**	**3.153**

Borrowing and Investment Limits	2019/20	2019/20	2019/20
	Approved	Revised	Forecast
	£m	£m	£m
Authorised limit for external debt			
Borrowings and other long-term liabilities	9	9	9
Operational boundary for external debt			
Borrowings	3	3	3
Other long-term liabilities	1	1	1
Total	**4**	**4**	**4**
Upper limit for fixed interest rate exposure			
Net Principal Amount (fixed rate borrowing)	3	3	0
Upper limit for variable interest rate exposure			
Net Principal Amount (variable rate borrowing)	0	0	0
Upper limit for Principal Amounts invested over 364 days	20	20	20

Compliance with Limits for Borrowing Activities

11. The first key control governing the Council's Treasury Management activities is a Prudential Indicator to ensure that over the medium-term, net borrowing will be undertaken for capital funding purposes only. Gross external borrowing should not, except in the short-term, exceed the total CFR amount in the preceding year together with the estimates of any additional CFR for 2019/20 and the preceding two financial years.

The s151 Officer reports that no difficulties are envisaged for the current year or future financial years in order for the Council to comply with this Prudential Indicator. This assessment takes into account current commitments, existing programmes and the proposals in the Budget Report.

Investment Portfolio

12. As at 30 September 2019, the Council had no external borrowing. Treasury Investments were £88.3m and have earned an average rate of return of 1.51%. The Treasury position is summarised in the Table on the next page:

	As at September 19		As at March 19	
	£m	%	£m	%
Specified Investments (up to one year)				
Banks and Building Societies	34.2	39%	29.1	40%
Local Authorities	23.0	26%	26.0	36%
Money Market Funds	11.1	13%	4.8	7%
Non-Specified Investments (longer than one year)				
Local Authorities	5.0	6%	5.0	7%
Property Fund	15.0	16%	7.5	10%
Total Investments	**88.3**	**100%**	**72.4**	**100%**

13. The Council's budgeted investment return for 2019/20 is £929k. Performance for the year to date is in line with the budget. The average return on investment during the first six months in 2019/20 is 1.51% compared to the 3 month LIBOR rate of 0.79% (as at 30 September 2019) and as summarised in the Table below:

Returns	Sep-19	Mar-19
Benchmark-7 day LIBID	0.57%	0.51%
Benchmark-3 month LIBOR	0.79%	0.80%
Actual	1.51%	1.13%

London Interbank Bid Rate (LIBID) – The rate at which a bank is willing to borrow from other banks;

London Interbank Offered Rate (LIBOR) – This is the average of interest rate estimates by the leading banks in London that these institutions would be charged if borrowing was undertaken from other banks.

14. The Council originally invested £7.5m in the CCLA Property Fund in December 2017 with a further sum of £7.5m invested during this financial year on 27 September 2019. This is in line with the approved treasury management strategy and approved by the Chief Executive, the Cabinet Member for Finance & Resources and the Leader. The dividend due from this investment is paid quarterly in arrears net of management charges and the returns arising as at Qtr1 in 2019/20 are highlighted in the Table below which details the returns since the investment was initiated:

Period	Net Dividend	% Net Yield on Original Investment of £7.5m	% Net Yield on Net Investments (less costs) of £7.0m	% Net Yield on Bid Value of Investments £7.3m (June 2019)
2017/18 (4 months)	**105,626.44**	**4.23%**	**4.51%**	**4.51%**
2018/19 (12 months)	**310,569.72**	**4.14%**	**4.42%**	**4.34%**
2019/20 (Quarter 1)	**74,684.17**	**3.98%**	**4.25%**	**4.16%**

15. The Council's operational Treasury Management activities have complied with the Treasury Management Strategy and there have been no instances of counter-party breaches during the six months to September 2019.

    The daily limit on the Council's primary banking facility (the NatWest SIBA Account) was exceeded on eight occasions during the half-year to September 2019. These breaches resulted from shortage of financially-viable deals available from approved counter parties meeting the credit criteria on the business days.

Review of Investment Strategy

16. In accordance with the Code, it is the Council's priority to ensure the security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's overall appetite for risk. The prevailing climate within the external investment market continues to be very challenging, with UK interest rate levels continuing to remain comparatively low against previous decades. Rates offered by the leading financial institutions have remained largely consistent with the 0.75% Bank of England Rate. Due to the fact that increases in the Bank of England Rate are likely to be gradual and are unlikely to return to the levels noted in previous decades, investment returns for the Council are likely to remain low during the medium-term.

Review of Borrowing Strategy and Debt Rescheduling

17. The Council had no external borrowing in place at the end of the last financial year (to 31 March 2019) and has taken out no new borrowing during the six months to 30 September 2019.
18. With low interest rates in place and taking into account counter-party risks, the Council's overall strategy continues to be centred around the utilisation of internal borrowing in order to assist in financing the Capital Programme.
19. As the Council remains debt-free, there are no debt rescheduling opportunities to consider at the present time.

Other Updates

20. **UK Banks**

    The supplementary paper itemised within Appendix A outlines in detail the effects of Fitch Ratings' action to place all UK Banks on 'negative watch' in light of the ongoing Brexit negotiations. In summary, this development should have no significant operational impact upon the Council's Treasury Management activities.

21. **Economics and Interest Rates Data (as at 30 September 2019) supplied by Link Asset Services**

    Link Asset Services are the Council's Treasury Management advisers and have provided Economics and Interest Rates data as at 30 September 2019. This incorporates an Economics Update and an Interest Rate Forecast.

APPENDIX A

<u>SUBJECT - UK BANKS PLACED ON 'NEGATIVE WATCH'</u>

Current scenario

The Council's assigned Treasury adviser (Link Asset Services) has confirmed that Fitch Ratings has placed all UK Banks on 'negative watch'.

This negative watch reflects the heightened uncertainty regarding the ultimate outcome of the ongoing Brexit negotiations and the increased risk that a disruptive 'no-deal' Brexit (where the UK will leave the European Union (EU) with no formal withdrawal agreement in place) will result in adverse trading conditions for these UK banks within their respective financial markets. Fitch Ratings expect to revisit the assignment of this negative watch assessment in late 2019 following the UK's exit from the EU on Thursday 31 October 2019. It is possible though that the negative watch may be further extended if Brexit negotiations are lengthened for an additional time period.

The Council's Treasury Management Strategy (TMS) refers to an overall credit worthiness policy and states that such sovereign credit ratings should not be regarded as the sole determinant in terms of an assessment of the quality of a financial institution that it intends to transact with. Credit default swaps data will also be referenced in addition to the ratings so as to determine overall credit worthiness.

The TMS does however state that in the event that any negative rating watch is applied to any counterparty, the Council will suspend transacting with this party and will need to review its arrangements with all other parties given the existence of these market conditions.

As of 30 September 2019, the Council holds a total value of £88.3m with UK counterparties, of which £57.0m are fixed term investments are un-callable, with £11.3m classified as short-term balances held with NatWest and Money Market Funds.

Conclusion

The Council's Finance department has opted to continue referencing the Link Asset Services counterparty list, and will endeavour to consider the credit rating swap data alongside the ratings information so as to determine the overall credit worthiness of counterparties.

Due to the fact that the basis for the introduction of Fitch Ratings' negative watch is the wider UK geo-political environment surrounding Brexit, rather than any specific inherent weaknesses identified within the assigned UK counterparties, the Council's strategy will be to continue to transact with these organisations. As an ongoing measure though, the Council will continue to ensure that the counterparty lists and limits used reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its treasury management investment activities to the instruments, methods and techniques referenced within the TMS. The TMS states that the minimum sovereign rating (for a counterparty) that the Council should transact with is AA.

The Council will continue to monitor the UK Government's Brexit negotiations in the lead-up to 31 October 2019 (the currently-proposed date of withdrawal from the EU).

APPENDIX B

Economics and interest rates as at 30 September 2019

All data supplied by Link Asset Services

Economics update

UK. After only tepid annual **economic growth** of 1.4% in 2018, growth in quarter 1 was unexpectedly strong at 0.5%. However, this was boosted by stock building ahead of the original March Brexit deadline so quarter 2 was expected to be slightly negative and duly came in at -0.2% q/q, +1.3% y/y.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a no deal exit, it is likely that Bank Rate would be cut in order to support growth. Nevertheless, the MPC does have concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.9% in June before edging back to 3.8% in July, (excluding bonuses). Growth in employment fell to only 31,000 in the three months to July, well below the 2018 average, while the unemployment rate remained at 3.8 percent, its lowest rate since 1975.

As for **CPI inflation** itself, this fell to 1.7% in August and is likely to remain close to 2% over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

The rise in wage inflation and fall in CPI inflation is good news for **consumers** as their spending power is improving in this scenario as the difference between the two figures is now around 2.1%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

Brexit. The Conservative minority government is now led by a new Prime Minister in Boris Johnson, who has spoken strongly of being adamant that the UK will leave the EU on 31 October, even if there is no deal. However, his proroguing of Parliament was over turned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up. All eyes are now on whether a deal can be agreed by 31 October based on new proposals being put to the EU.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the rate of growth to 2.9% for 2018, just below his target of 3%. Growth in quarter 1 of 2019 was a strong 3.1% but growth fell back to 2.0% in quarter 2. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. After the Fed increased rates by 0.25% in December 2018 to between 2.25% and 2.50%, it has taken decisive action to reverse monetary policy by cutting rates by 0.25% in each of July and September in order to counter the downturn in the outlook for US and world growth. There are expectations that it could cut again in December.

EUROZONE. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. The trade war with the US does not currently appear to be having a significant impact on growth. Major progress still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

JAPAN. has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. The trade war between the US and China on tariffs is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks.

Interest rate forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has put any further action on hold, probably until such time as the fog of Brexit might clear and there is some degree of certainty of what the UK will be heading into. ***The above forecast, and other comments in this report, are based on a central assumption that there will be some form of muddle through agreement on a reasonable form of Brexit.*** Bank Rate forecasts will have to change if this assumption does not materialise e.g. a no deal Brexit on 31 October could well prompt the MPC to do an immediate cut of 0.5% in Bank Rate back to 0.25%. All other forecasts for investment and borrowing rates would also have to change.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

BOND YIELDS / PWLB RATES. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

What we have seen during the last half year is a near halving of longer term PWLB rates to completely unprecedented historic low levels. There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop, (see appendix 4 Eurozone downside risk). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.