



# Audit and Governance Committee Agenda Supplement 1

Date: Wednesday 5 July 2023

Time: 10.00 am

Venue: The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury  
HP19 8FF

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If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

For further information please contact: Leslie Ashton [democracy@buckinghamshire.gov.uk](mailto:democracy@buckinghamshire.gov.uk)

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## Report to Audit and Governance Committee

**Date:** 5<sup>th</sup> July 2023

**Reference number:** N/A

**Title:** External Auditors Interim Annual Report 2021/22

**Relevant councillor(s):** N/A

**Author and/or contact officer:** David Skinner (S151)

**Ward(s) affected:** Not applicable

**Recommendations:**

**The Committee are requested to note the findings in the report by the external auditor attached at Appendix A on the Council arrangement for securing Value for Money (VfM) in its use of resources, the recommendations made and management's response.**

**Reason for decision:** Not applicable

### **Executive summary**

1.1 Under National Audit Office (NAO) Code of Practice regulations, external auditors are also required to make a Value for Money assessment to consider that local authorities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

1.2 The report provides detail on Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

### **Background**

1.3 Under the annual reporting on VfM arrangements, auditors are required to undertake work to provide a commentary against three criteria set by the NAO.

- i. **Financial sustainability:** how the Council plans and manages its resources to ensure it can continue to deliver its services;

- ii. **Governance:** how the Council ensures that it makes informed decisions and properly manages its risks; and
- iii. **Improving economy, efficiency and effectiveness:** how the Council uses information about its costs and performance to improve the way it manages and delivers its services

1.4 Grant Thornton's conclusion of the Council's Value for Money detailed assessment is provided in Appendix A and is summarised below.

- i. **Financial Sustainability** - There are no significant weaknesses identified and the one improvement recommendation around providing an update report against the specific unitary savings (Better Buckinghamshire Savings) target of £18m has been raised. This is already being reported to cabinet as part of council-wide savings focusing on in-year delivery. During financial year 2023/24 we will add specific Better Buckinghamshire savings section in the quarterly budget monitoring report.
- ii. **Governance** – There is one significant weakness in arrangements identified relating to financial statements preparation and three improvement recommendations of which two have already been implemented. The third recommendation in respect of internal audit on associated companies has been added to the Q1 2023/24 audit work plan.
- iii. **Improving economy, efficiency and effectiveness** - The one improvement recommendation on Children's Special Education Needs and Disability (SEND) payment process is already work in progress. The number of Education, Health and Care Coordinators employed by the SEND service has increased from 14 in 2020 to 28 in 2023. In addition, the Integrated Care Board (ICB) has made a commitment to invest £4.6m SEND transformation funding in 2023/24 to increase the workforce capacity in order to stabilise waiting lists so that children and young people in Buckinghamshire receive a more timely service.
- iv. **Financial Statements** – The officers have already addressed the capacity issues within the closing team and work is in progress to ensure 2020/21 financial statement audit is completed by December 2023 and quality control checks are in place to ensure 2021/22 financial statements are free from material errors and supported by good quality working papers.

## Other options considered

1.5 Not applicable

## Legal and financial implications

1.6 Not directly related to this report.

## **Corporate implications**

1.7 Not applicable

## **Consultation and communication**

1.8 The report has been agreed with the Corporate Management Team

## **Next steps and review**

1.9 Not applicable

## **Background papers**

1.10 Not applicable

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# Auditor's Annual Report on Buckinghamshire Council (Interim)

2021/22

April 2023



# Contents



We are required under s 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) in 2020 requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. 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.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



# Executive summary






## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made.	No significant weaknesses in arrangements identified, but one improvement recommendation made	↑
Governance	Risks of significant weakness identified in year end processes owing to late production of draft accounts	No significant weaknesses in arrangements identified, but improvement recommendations made	One significant weaknesses in arrangements identified re financial statements preparation and three improvement recommendations made	↓
Improving economy, efficiency and effectiveness	Risk identified because of the inadequate rating issued by Ofsted in respect of children in care	Significant weaknesses in arrangements identified, with a key recommendation made.  No improvement recommendations made in respect of this area.	No significant weaknesses in arrangements identified, but one improvement recommendation made	↑

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary

## Financial sustainability

The Council has a good record of financial management. It recorded a net underspend of £2.2m for the 2021/22 year and has a capital outturn of £177m against a budget of £196m (this level of slippage was common to most councils and was impacted by COVID 19). A balanced budget was set for 2022/23 with growth pressures of £25.7m being offset by savings/efficiencies, income increases, and a planned use of £6.2m earmarked reserves. A small adverse variance is forecast for the 2022/23 financial year. We note that the current capital programme is under urgent review as the impacts of inflation mean that a number of projects will not be able to be delivered within the approved budget. The Council has actively put in place measures to pause uncommitted capital scheme whilst that review takes place.

During 2021/22, a three-year planning cycle was reintroduced, starting from the 2022/23 budget. This is in accordance with good practice. After accounting for planned savings) the new MTFP set out a balanced budget for 2022/23 and for 2024/25 without use of general fund reserves. In 2023/24 there is a £1.36m gap envisaged. Total savings of £13.2m were identified for 2021/22 with the Council achieving £12.5m (96%), a shortfall of £0.5m. Each year of the MTFP shows a need to make savings. £12.36m, £5.427m and £9.35m of savings are required for 2022/23, 2023/24 and 2024/25 respectively. We consider that, while challenging, these are deliverable by the Council. Earmarked reserves at 31 March 2022 were £170m with a further £47m in General Fund reserves. This balance represents 9.5% of net expenditure, this is well above the generally accepted minimum prudent level of 5%.

We are therefore satisfied that the Council has appropriate arrangements in place to ensure it is financially sustainable.

## Governance

Appropriate leadership is in place. The Council operates under a Cabinet system. There has been a good level of engagement with the local community and with stakeholders. Relationships between officers and members appears good with no issues raised in our interviews with key staff. The Monitoring Officer is the Council's deputy Chief Executive, who, alongside the Chief Executive is responsible for ensuring legality and promoting high standards of conduct in public office. Appropriate governance arrangements are in place with regard to monitoring and ensuring that appropriate standards are in place. The Council's complaints procedures are appropriate, although we note that there has been an increase in the volume of complaints to the local Government Ombudsman (this may be partially due to the processing of any backlog of complaints due to the Ombudsman not accepting complaints for 3 months in 2020/21 claims due to COVID 19).

Risk management and Internal Audit arrangements are appropriate, although we note that a total of 34 planned audits were deferred to 2022/23 or cancelled. It is important that audits are undertaken in a timely way if the Council is to receive appropriate assurance (although we accept that the programme was impacted by COVID 19). Budget setting and monitoring processes are appropriate.

The Council has 3 owned companies and one joint ventures. Limited monitoring was undertaken during 2021/22 but we note that improved governance arrangements were approved by Cabinet in March 2022. This included the establishment of a joint shareholder Committee. It is important that these governance arrangements continue to be robust and that the Council's interests are safeguarded.

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# Executive summary

The financial statements audit for 2020/21 and 2021/22 continue to be delayed. Due to the errors in the 2020/21 financial statements and the resulting delays we consider this to be a significant weakness and have raised a key recommendation with regard to this matter. We note that management now have in place a clear plan to resolve the delay and are working effectively with us.

With the exception of its arrangements for the preparation of its financial statement, we consider that the Council has appropriate governance arrangements in place.

## Economy, efficiency and effectiveness

The Council's Corporate Plan was established at the formation of the new authority and delivery is monitored via quarterly performance reports. KPIs and targets are reviewed regularly and appropriate benchmarking arrangements are in place. The Council has a relatively high spend per head of relevant population in SEND, Public Transport, Environmental safety and routine maintenance, and Development Control. Very low spend areas are Adult Social Care and Corporate and Democratic core. The Council will need to monitor these areas to ensure that spend remains sustainable. We note that the Council's position on the CIPFA Financial Resilience Index is good.

With regard to services, continued improvement has been made in Children's Care Services and we no longer consider this area to represent a significant weakness to the Council. Challenges do remain in this area, particularly with regard to maintaining an adequate workforce and in improving Special Educational Needs and Disabilities services. However, the Council has appropriate plans in place to resolve these matters. Partnership working is strong and the Council has a number of arrangements in place to develop and deliver combined services. Procurement and contracting arrangements are appropriate, although we note that continued action is needed to reduce waivers.

Overall, we are satisfied that the Council has appropriate arrangements in place to deliver economy, efficiency and effectiveness.

# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they :

- (i) present a true and fair view of the Council's financial position, and
- (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have not commenced the audit of your financial statements. Our audit will commence on completion of the 2020/21 financial statements audit.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a Public Interest Report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not applied to Court.

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# Opinion on the financial statements and use of auditor's powers continued...

We bring the following matters to your attention:

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued an Advisory notice.

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## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not applied for a judicial review.

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# Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

Local Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas is set out on pages 9 to 37.

# Financial sustainability



## In our work we considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## 2021/22 Revenue Outturn

The revenue budget for 2021/22 included an anticipated one-off use of General Fund balances of c£2m to fund additional discretionary spend on drainage, street cleaning, planning enforcement and climate change. These are considered priority areas, some of which are key to manifesto commitments, and climate change is seen as a high priority across the council (and is one of the four strategic priorities within the Corporate Plan).

Increased Covid compensation grants and variances in corporate contingency spend however meant that the Council recorded a net underspend of £2.2m for the year which was transferred to reserves. In March 2022, Cabinet approved the principle of transferring unused contingency budgets at year end to an earmarked reserve to help mitigate heightening risks around inflation. The forecast at that time was that £6.2m of contingency budget would be unused however, the position at final outturn was that a further £1.5m of contingency budgets were not required, meaning that £7.7m was transferred to this reserve. This has provided a further buffer against future inflationary pressures. Earmarked reserves at 31 March 2022 were £170m with a further £47m in General Fund reserves. This balance represents 6.6% of the gross operating budget and places the Council in a relatively strong financial position.

There were no significant variances against budget, the most significant were a £3.3m overspend on Education and Childrens Services (increased demand and placement costs) and £5.3m underspend on Corporate Services. The Health & Wellbeing Revenue Covid variance of £2.1m relates predominantly to the cost of additional Nursing care which is anticipated to recur in 2022-23. We note that these variances are not significant in comparison to the Council's overall budget.

Evidence we have gathered from reports, interviews and the CIPFA financial resilience index (see page 23) indicate a broadly positive financial position for the Council.

# Financial sustainability continued..

## 2021/22 Capital Outturn

The Council had set a capital expenditure budget for 2021/22 of £196m. Key variances included an £11.9m underspend on Planning and Regeneration (£3.2m slippage on Waterside North office development and £2.9m slippage on Wycombe regeneration projects due to contractor delayed start; a £4m overspend (48%) on the Leaders Budget (spend made earlier than originally profiled on 2 projects) and £3.2m (36%) underspend on Finances, property and resources budget including £1.2m slippage on Buckinghamshire Network project due to global shortage of IT components and £1.1m slippage across 3 property related projects. Total outturn was £177.5m, this underspend is in line with what we have seen at other authorities. We do not consider this underspend to be indicative of a significant weakness in arrangements over the capital programme, but more a reflection of the difficulties faced by all authorities in carrying out their planned capital works during the pandemic.

## 2022/23 Budget and Outturn to date

The balanced budget set for 2022/23 included growth pressures of £25.7m with offsetting savings/efficiencies of £12.4m and income increases of £6.8m in 2022/23. The 2022/23 budget was built on a 1.99% increase in basic Council Tax and a 2% increase for the Adult Social Care Precept (including 1% carried forward from 2021/22), giving a total increase of 3.99%. The current strategy around council tax is to keep increases to a level needed to balance the budget. There was planned use of £6.2m earmarked reserves.

The Revenue outturn position as of Quarter 2 is a forecast adverse variance of £1.8m, which is a reduction of £2m from the adverse variance of £3.8m reported at Quarter 1. This is broken down as an adverse variance on spend of £15.7m (£10.4m forecast at Quarter 1) offset by £13.9m (£6.6m forecast at Quarter 1) of corporate mitigations.

The £15.7m adverse includes: £4.7m pressure (£3.1m last quarter) in Health and Wellbeing from demand pressures and fee uplifts in Adult Social Care: £9.5m pressure (£5.3m last quarter) in Children's Services, including £3.2m in placement budgets due to the national lack of available placements and increased complexity of need driving up unit costs; £2.9m in client costs in Children's social care due to demand pressures; £2.1m in Accessible Housing and Resources (£1.5m last quarter), of which £1.1m is attributable to inflation on energy costs; £2m adverse variance (£1.2m last quarter) in Transport Services due to increased contract costs and a 3% increase given to Home to School transport £3.3m (£1.1m last quarter). There is an anticipated favourable variance of Climate Change & Environment from additional income from the sale of electricity from the council's Energy for Waste (EfW).

The £13.9m of corporate mitigations (£6.6m last quarter) include: £4.4m contribution from earmarked reserves to support the Council's overall bottom line. This is as a result of £4.4m of income received in the Climate Change and Environment portfolio following partial resolution of a legal dispute with the council's EfW contractor. There is a £2.0m favourable variance relating to Interest on Revenue Balances due to higher interest rates. There is also £0.8m favourable variance on Interest Payable budgets.



# Financial sustainability

## 2022/23 Budget and Outturn to date (cont'd)

forecast has arisen due to the Council's ability to fund any new borrowing required in year from internal borrowing rather than external Public Works Loan Board (PWL) borrowing. There is a forecast surplus of £0.3m in additional income from un-ringfenced grant income, where the budget was set prudently but a small amount of additional income is expected, and a surplus of £0.1m on loan interest, following extension of a loan agreement. There is also a £6.2m favourable variance forecast on contingencies which the council plan to release to offset the overspends.

A "Mitigating Future Financial Risks" reserve was set up following outturn 2021/22 as a result of unused contingencies and was set at £9.9m. £1.5m of this has been utilised to fund the unconsolidated element of the 2022/23 pay award and £0.15m has been utilised to set up a Staff Hardship Fund, a balance of £8.25m remains which could be utilised if required.

The current capital programme is under urgent review as the impacts of inflation mean that a number of projects will not be able to be delivered within the approved budget. The Council has actively put in place measures to pause uncommitted capital scheme whilst that review takes place. The member and officer Task and Finish group have identified £5.7m that can be recommended for removal from the 2022/23 capital programme with a further £8.1m under further review. This is in line with what we are seeing at other councils.

## Financial Planning

During 2021/22, a three-year planning cycle was reintroduced, starting from the 2022/23 budget. An annual budget was set for 2021/22 due to COVID. Growth pressures are expected to total £56.2m by 2024/25, with offsetting savings / efficiencies and income increases totalling c£40m by 2024/25.

After accounting for planned savings (see separate section below on savings plans) the new MTFP set out a balanced budget for 2022/23 and for 2024/25 without use of general fund reserves. In 2023/24 there is a £1.36m gap envisaged.

The plan is to use general fund balances to fund this £1.36m gap with a further utilisation of £2.43m earmarked reserves. Such use of general fund balances have been seen as politically acceptable by members. The Council has confirmed that the use of reserves is for 'one-off' rather than recurring expenditure and that general fund balance remains strong, at £47m (c.9.5% of net operating expenditure). However, the Council needs to maintain its ongoing scrutiny over this, to ensure use of reserves does not become a recurrent feature of the budget. Despite the need to make savings, and this one-off planned use of reserves, the Council still has adequate provision within its reserves to manage potential future one-off emergencies. The Council however estimates that every 1% rise in inflation increases the revenue budget by £4.6m which would significantly impact the Council's MTFP. We have made a recommendation on this.

Nationally, councils have seen a steady decline in the local government funding settlement over the last ten years against a national and local backdrop of rising demand, and the Council's Medium Term Financial Plan (MTFP) is prudent in that it assumes a continuation of this declining trend. Members are therefore made fully aware that the Council's financial plans cannot place reliance on an increasing level of government contributions.

From 2023/24 the Council has assumed 2.99% increase in Council Tax and Adult Social Care Precept. There are significant increases in service income across the 3-year MTFP in Leisure (£2.3m), Property & Assets (£6.2m) and Parking (£3.2m) as income is anticipated to recover from the reduced levels at the height of the pandemic,

# Financial sustainability

## Financial Planning (cont.)

and new opportunities arise. The Government's Autumn Statement published in November 2022 set out funding priorities for the period 2023/24 to 2027/28, with public spending broadly maintained in the first 2 years, but a tightening in spending thereafter in order to reduce government borrowing. The Council acknowledged that whilst the provisional settlement included increases in funding for Local Government above previous levels, this was not likely to be sufficient to address budget shortfalls and therefore did not revise its plans as a result.

The MTFP has been designed to be integrated with the core strategic priorities of the Council (its Corporate Plan 2020-2023). This planning aims to provide a framework to invest in the Plan's broader ambitions and long term priorities, as well as the recovery from COVID-19. The capital programme also explicitly supports the Council's corporate priorities.

In March 2021, the s.151 Officer produced a report considered by CMT, Cabinet and Audit & Governance Committee, assessing the Council against the findings of the Public Interest Report at Croydon. This review concluded that overall, the council compared favourably to Croydon and that the authority compares well with others in that there is a good record in terms of the legacy authorities managing spend within their overall budgets. As stated previously earmarked reserves at 31 March 2022 were £170m with a further £47m in General Fund reserves. **This balance represents 9.5% of net expenditure, this is well above the generally accepted minimum prudent level of 5%.**

CIPFA undertook a financial management review at the Council during the year. In their report, dated January 2022, they rated the council as 3/5. Most authorities are rated between 2 and 3 out of five, so this is a relatively good score and particularly good when set against the context of its recent creation as a unitary authority and the fact the COVID pandemic coincided with its launch.

CIPFA determined "the budget setting process is robust, member-led, and focused on key Council objectives within a good governance framework that includes an adequate check and challenge process".

CIPFA has identified areas for improvement, and these are not repeated here, as none would indicate a risk of a significant weakness. Some of the areas of lower score related to an insufficient MTFP, as at the time of the review, the Council were using a one-year plan. As stated above a three-year MTFP has now been produced, which should address some of the weaknesses highlighted. CIPFA do identify that the Council needs to resolve issues relating to the completion and sign off of final accounts. We also identified this as a risk of a significant weakness in planning our 2020/21 work, and we remain of the view the Council needs to strengthen its corporate finance team.

## Savings plans

The original plan for the new authority recognised an opportunity to make total savings of £18m in moving to a unitary status. All Savings are reported to members on a quarterly basis through the Budget Monitoring report including the £18m anticipated savings in respect to moving to a unitary authority and have also been reported to scrutiny in a separate session. Delivery of the £18m savings is also a specific KPI reported quarterly to Cabinet as part of their performance monitoring. In addition CMT review savings on a monthly basis at CMT Budget Board. In 2020/21 the Council delivered £2.2m of the savings and a further £2.3m is estimated to have been delivered in 2021/22. Continued action is needed by the Council to deliver these savings. We note that the last report was in the Better Buckinghamshire update in December 2021.

Total savings of £13.2m were identified for 2021/22 with the Council achieving £12.5m (96%), a shortfall of £0.5m. Each year of the MTFP shows a need to make savings. £12.36m, £5.427m and £9.35m of savings are required for 2022/23, 2023/24 and 2024/25 respectively. The latest outturn position for 2022/23 shows anticipated small shortfall in savings projections of £0.25m due to overspend on agency staff within

# Financial sustainability

## Savings plans (cont..)

children's services. The monthly CMT Budget Board receives a detailed budget report, which sets out the outturn for each line of savings within each of the directorates, showing the savings target, amount delivered, amount forecast to be delivered and any shortfall, together with a detailed commentary against each line. There is also another commentary setting out the risks and opportunities, with each saving assigned a RAG rating.

The approach to closing this funding gap is regularly discussed. In addition to formal discussions at Cabinet each quarter, there are monthly Budget Board meetings in each of the Directorates. These provide a high level of detailed scrutiny over each line of the budget and over each line of the savings plans. The s.151 officer and Service Director (Service Finance) also have regular meetings with Cabinet portfolio holders to brief them on budgetary issues relating to their Directorates and a savings tracker, updated by Heads of Finance across the Directorates is discussed at weekly Heads of Finance meetings.

As these funding pressures have been identified by the Council and are being addressed within the Council's financial plans, these savings requirements do not point to a significant weakness in the arrangements in place, albeit there remains a risk in terms of the ongoing financial pressures being faced by the Council.

## Managing risks to financial resilience

Risks are considered within the budget and MTFP. These include the risks of financial pressures meaning services cannot be fully funded. The Council is satisfied that its Medium-Term Planning process is a mitigating action to ensure the Council balances its budget and identifies savings that can be made. We have seen this, and also that the budget monitoring reports to CMT and to Directorate Budget Boards set out the

assumptions behind the budget and the risks to the plan. In addition, each lead portfolio member is closely involved in developing and setting the budget for their service area. Risks are discussed at length as part of this process. Overall, members are presented with a good understanding of the risks.

Also, it is set out within the Standing Financial Instructions that there must be monthly budget reporting and monitoring for each service, and within this it stipulates that variances must be reported and supported by an action plan on how this is to be managed by the year end. This also sets out that the savings tracker must be updated and include mitigating actions and key financial risks identified. Where it is forecast that, despite mitigating actions, expenditure is likely to exceed budget then the Corporate Director will "as soon as possible" report it to the relevant Cabinet Member

The Council also has a Treasury Management Strategy and an Investment Management Strategy. These both indicate the Council has a cautious approach to investments, seeking to minimise risk rather than prioritising investment returns. And whilst there are wholly owned subsidiary companies at the Council, the Council did not place reliance on income from these companies in either the 2021/22 outturn or 2022/23 budget. This is also indicative of a cautious approach.

Our work confirms that the budget process is robust, that there is wide consultation across the Council in developing the budget and that challenge mechanisms are in place, from the CMT and from the scrutiny offered by the Budget Scrutiny Inquiry Group, in addition to the challenge provided generally by members.

## Capital Strategy

The Council has an ambitious capital strategy which was created by amalgamating the existing plans of the five legacy Councils. The capital programme sees £569m scheduled to be invested over the 4 years to 2024/25. The Council's long-term capital

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# Financial sustainability

## Capital Strategy (cont...)

investment is underpinned by the objectives of the Corporate Plan and assets held (or built) by the Council must fall into specified categories linked to that plan. This overall capital programme is agreed by Cabinet on an annual basis and the reporting on this provides updates on the progress against the plan, costs, sources of funding and the progress of key projects.

Each Directorate reports its capital and revenue spend associated with the capital programme to its Directorate Budget Board monthly. CMT then sees an amalgamation and summary of these reports. Reports on individual, large capital projects are also regularly presented to Cabinet.

There are also four Capital Boards. The Corporate Investment Board (CIB) takes an overview of the capital programme. This is informed by three boards which sit below the CIB covering Property, IT and Highways. (schools fall within property). There is a gateway process for the release of capital funds. An outline then full business case must be produced if bidding for capital expenditure. If each stage is approved, then a detailed project plan is submitted for approval. This is to minimise unnecessary expenditure on speculative early design proposals. Approvals are then granted by the relevant Boards. This is supported by the Capital Project Manager, who sits within Corporate Finance. An internal audit of the Capital programme was due to be undertaken in 2020/21, this was deferred to 2021/22 due to the pandemic but was again deferred until 2022/23. because of resource pressures caused by sickness.

We are satisfied that there is a good level of oversight of the overall capital programme and of individual capital projects.

## Conclusion

Overall, the Council has a strong capacity to manage variances over the short to medium term. We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability.

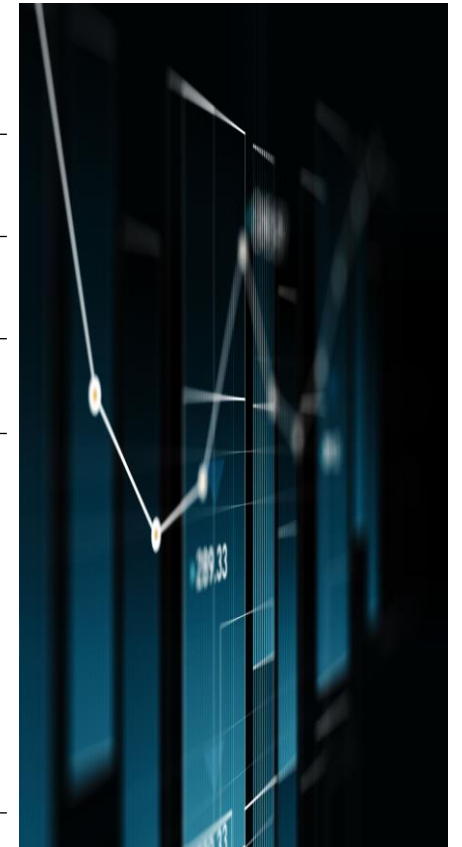
# Improvement recommendation



## Financial Sustainability

<b>Recommendation 1</b>	The Council should provide an update report against the specific unitary savings target of £18m identified as potential savings arising from the new unitary authority.
<b>Why/impact</b>	Given the level of savings required to achieve a balanced budget it is important to understand which savings are specific to the creation of the unitary authority
<b>Auditor judgement</b>	The last report to members was in December 2021.
<b>Summary findings</b>	Progress in achieving the estimated £18m savings arising from the creation of the unitary authority has not tracked or reported to members.
<b>Management comment</b>	<p>The delivery of all Council-wide savings including unitary savings is reported to Cabinet on a quarterly basis. This report covers all savings and focuses on in-year delivery. We now have far larger savings targets to deliver than just the unitary savings, £19.2m was our income &amp; savings target for 2022-23 (delivered £18.4m); the 2023-24 target is £30.4m. Cabinet are fully sighted on all future savings within MTFP papers.</p> <p>Additionally, Service Improvement Team have oversight of the Better Buckinghamshire savings programme. Delivery of this programme is managed through Service Improvement Board and members are briefed on overall progress. The most recent update was included in the January 2023 Budget Scrutiny report (CM Accessible Housing &amp; Resources) which reported 8 completed reviews, 14 reviews in progress and 100% on target to achieve the planned savings. We will add specific Better Buckinghamshire savings tracker section in the quarterly budget monitoring report over the course of financial year 2023/24.</p>

The range of recommendations that external auditors can make is explained in Appendix B.



# Governance



## In our work we considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates under a Leader/Cabinet system. Councillors are supported by the CMT which is headed by the Council's Chief Executive. The CMT is responsible for the overall leadership and management of the Council, for setting and monitoring overall strategic direction and for ensuring high performance in the delivery of council services. Following the elections in May 2021 a new Cabinet structure was agreed, and the Cabinet structure forms the basis for the budget. All budgets have now been mapped against this new structure and papers are presented on this basis. There are scrutiny committees in place which hold the Cabinet to account, and provide an additional level of challenge and consideration over major decisions.

The work of the Council's committees is governed by the constitution. This constitution is scheduled to be regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. We would expect the Annual Governance Statement (AGS) to be read alongside the Council's constitution, which should set out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. However, the AGS was not formally agreed and in place during 2020/21 and the 2021/22 AGS has only recently been agreed in November 2022. We have made an improvement recommendation on this.

There has been a good level of engagement with the local community and with stakeholders and relationships between officers and members appears good with no issues raised in our interviews with key staff.

## Monitoring and ensuring appropriate standards

The Monitoring Officer is the Council's deputy Chief Executive, who, alongside the Chief Executive is responsible for ensuring legality and promoting high standards of conduct in public office. The council asserts that they have arrangements in place to meet the relevant requirements of the CIPFA/Solace Framework. There is a Statutory Officers group that consist of the Chief Executive, the Monitoring Officer, the S151 Officer, The Service Director (Legal & Democratic Services and the Chief Internal Auditor that meets on a monthly basis to review cases and reports.

# Governance continued...

## Monitoring and ensuring appropriate standards (cont..)

Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as, Anti-Fraud, Bribery and Corruption Strategies, as well as Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and Section 151 Officer both have specific responsibilities to ensure that Council decisions meet legal requirements.

In 2021-22 the local Government Ombudsman received 103 complaints relating to the Council, 28 of which were upheld. This compares to 55 received in 2020-21, 13 of which were upheld. We note that the Ombudsman stopped taking complaints for 3 months during 2020/21 which may account for the increase in complaints for 2021-22. The main areas of upheld complaints relate to Special Educational Need (SEND) services and child protection. The highest compensation paid as a result of the Ombudsman was £7350 for delays in dealing with a disabled facilities grant which resulted in the resident living 2 years in accommodation where he couldn't access bathing facilities. SEND is discussed further on p22 of this report and children's services is discussed on p21 and p22.

Council received 1988 stage 1 complaints in 2021/22 compared to 2099 in 2020-21. The highest number of complaints was for Communities and specifically for the Southern Waste and Recycling Team who received 859. 186 Stage 2 complaints were considered in total this compares to 172 stage 2 complaints received during 2020/21.

34 complaints related to members. However, the vast majority related to town and parish council members. There is no evidence of an inappropriate member culture. At the Council. We also note that training was put in place for town and parish council members.

The gifts and hospitality policy at the Council compares favourably with some others we have seen in that gifts and hospitality declined must be declared alongside that which has been received. This demonstrates a high level of standards of expected behaviour and of transparency.

CMT receive and review much of the information to be put to Cabinet and the Audit & Governance Committee in advance of those meetings. Scrutiny committees also fulfil a role in challenging decisions and request a high level of detailed information in preparing those challenges.

All decisions referred to members are set out using a template. That template includes legal and regulatory implications. This requires legal advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate.

We consider that the Council has appropriate arrangements in place to maintain appropriate standards.

## Monitoring and assessing risk

The Council maintains a risk strategy which is set to be updated annually. Twelve **Strategic Risks were identified at October 2021 including the following key risks rated as high:**

1. Risk of receiving a third inadequate judgement from Ofsted meaning that children and families are not receiving the support they require. The Council has put an improvement plan in place and this is discussed in more detail on p21 of this report. Demand pressures and vacancies/shortage in social workers remains an issue.

# Governance

## Monitoring and assessing risk (cont...)

2. A risk of major contract commissioning or market failure resulting in the Council failing to act effectively as a Commissioning Authority. A Supply Relationship Manager Group has been established. Procurement risk is discussed in more detail on p25 of this report.

3. A risk of adverse consequences for vulnerable adults as a result of budget reductions and increase in demand. A shortage of mental health practitioners nationally is impacting on the Council. Local plans have been drawn up to try to address this including the development of an Approved Mental Health Professional (AMHP) Programme. This risk is discussed in more detail on p22 of this report.

In addition to these strategic risks recorded on the risk register the Audit Committee, CMT and Risk Management Group (RMG) also considered 'horizon scanning' papers which looked at new and emerging risks including those arising from the cost of living crisis and energy price rises. There is a 'risk champion' in each of the Directorates and the emerging risks document is updated on a regular basis by the Corporate risk lead and discussed by the risk champions. Each directorate has a risk escalation framework, but all use the Pentana system which ensures consistency of approach across the organisation. Each risk and each mitigation action has an owner responsible for it. Pentana prompts when these need to be reviewed. A quarterly risk report is provided to each of the Leadership teams.

The RMG is a sub group of the Audit & Governance Committee and comprises three members of the Audit Committee (one of whom must be the Chair), s.151 officer, Monitoring Officer and Chief Internal Auditor. All members of the Audit Committee are invited to observe. The group is tasked with providing a review of the effectiveness and

implementation of the Risk Strategy. This group has a standing item to consider one of the strategic risks on the **Corporate** Risk Register (in rotation), as well as undertake a deep dive on each of the Directorate Risk Registers in rotation. They also monitor the effectiveness of the escalation processes, of any updates to the Strategic Risk Register and undertake a monitoring of risk management action plans. This ensures there is good oversight of risk at the Council.

## Internal Audit

Internal Audit is provided by an inhouse team supported by Mazars. The Internal Audit annual report contains the opinion of the Chief Internal Auditor and provides "reasonable assurance" on the adequacy and effectiveness of the Council's internal control, risk management and governance framework and an unqualified opinion regarding the effective, efficient and economic exercise of the Council's functions for 2021/22.

The 2021/22 internal audit plan was reviewed and updated several times during the year. In 2021/22 a total of 30 reviews were undertaken. 34 planned audits were deferred to 2022/23 or cancelled. Two of the deferred audits had previously been deferred from 2020/21. These included a review of the Capital Programme which was listed as a key financial systems audit as well as an audit of the hospital discharge and adult social care interface. Other deferred audits related to Procurement and Contract Management, this is discussed in more detail on p25 of this report. These deferrals were due to resources pressures and other priority risk areas having been identified mid-year.

Planning for 2022/23 has been communicated to Members, who were advised that the team would ensure adequate resource was in place throughout Q1 and Q2 to support this carried over work. In relation to the governance over these deferrals, the Audit & Governance Committee was advised that these would be discussed at Senior



# Governance

## Internal Audit (cont...)

Leadership Team (SLT) meetings of the appropriate directorates and would require sign off from the Corporate Director. Given the scale of deferrals to 2022/23 the Council should consider strengthening the resourcing of Internal Audit Service. An improvement recommendation has been made in this respect.

Findings of counter-fraud investigations are reported to the Statutory Officers Group, and this is also included in the updates provided to the Audit & Governance Committee. These updates set out all the work internal audit have completed in the quarter, the assurance ratings on each of their reports and the action plans in place against their recommendations, so there is good oversight of the work of this service. There were 49 investigations into Business Rate Grant Fraud in 2021/22 resulting in 10 potential prosecutions, one prosecution led to a fine of £21,000 for the perpetrator. A detailed Fraud Risk Register is maintained by the Fraud Team and is reported to the Risk Management Group on a regular basis.

The Pentana management actions tracking system is fully embedded as a business management tool which is reviewed periodically by directorate leadership teams and CMT. All open management actions from each of the legacy authorities were carried forward from previous years into the new unitary organisation where they were reviewed and followed up for implementation.

Overall, we are satisfied that the procedures for drawing up the annual internal audit plan are sound and capture the relevant risks across the council. This is based on internal audit having a close integration with management. Internal Audit met with Corporate and Service Directors to review the risks and issues in their area and to jointly assess whether the level of internal audit work being carried out or planned remains appropriate. These meetings represent an opportunity to capture emerging issues and to discuss new or proposed legislation or regulations which will impact the Council. As the Internal Audit service is part of a London Audit Group and part of

a Home Counties Audit Group, they use these interactions to check they have captured emerging issues within local government, including new legislation, and to determine whether these should be incorporated within their work programme.

The Public Sector Internal Audit Standards (PSIAS) require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Council's Internal Audit Service was subject to its first external quality assessment of conformance to the PSIAS in quarter three/four of 2021/22. The assessment was conducted by CIPFA, and the review concluded that the Council's arrangements 'fully conform' to the requirements of the PSIAS.

## Budget Setting Process

The development of the budget is highly collaborative. The budget setting process has seven stages;

- An initial assessment of the likely impact of external changes to the previously agreed plans.
- A review of the deliverability and continued relevance of existing Directorate plans.
- The development of new Directorate proposals, incorporating the 'Better Buckinghamshire Reset and Recovery' improvement programme.
- A Leadership review of the Directorate proposals through a 'Check and Challenge' process.
- The refinement of proposals into a draft budget which is approved by Cabinet.
- A political 'Scrutiny committee' review of the draft budget
- Final approval of the budget and Medium term Financial Plan by Cabinet and Full Council.

# Governance

## Budget Setting Process (cont...)

For the period in question 2021/22 Member portfolio groups did an initial sense check of the initial Directorate budgets. Each directorate has its own finance team, so these budgets should already have been subject to challenge by officers. There is a monthly update to CMT on the budget development process and progress. CMT provide horizon scanning and early challenge at this stage. These challenges include consideration of alternative proposals and scenarios.

The Corporate Management Team and Informal Cabinet receive reports on progress and the proposals made at the end of each development stage to ensure the widest support for proposals and to ensure the consistency of the proposals with the Corporate Plan and to consider any emerging changes to the planned budget.

Individual budget holders have clear roles and responsibilities. Services have their own finance teams. Proposed budgets are then submitted by Directorates. Corporate Finance developed guidance and produced budget templates to assist this process.

The budget setting processes at the Council are appropriate and in line with what we would expect to see for a Council of this size. There is a good level of ownership of and involvement in the budget setting and monitoring process, from budget holders, through executive directors and up to members.

## Budgetary control

Budgetary control and monitoring is strong at the Council. There were no significant variances at outturn, the most significant were a £3.3m overspend on Education and Childrens Services (increased demand and placement costs) and £5.3m underspend on Corporate Services which includes favourable variances on capital financing costs. The total favourable variance for 2021-22 was £2.2m which represents 0.5% of the net budget.

As well as detailed budget monitoring reports prepared monthly for CMT, there are also budget monitoring boards for the main revenue spending areas, who also receive monthly reports. Budget Boards are officer meetings and are made up of key budget holders. The budgetary information provided is highly detailed, with extensive commentary provided on variances and a risk assessment against each line of the budget.

During 2021/22, corporate finance provided a monthly outturn to budget monitoring report. This went to CMT monthly and quarterly to Cabinet. This included tracking savings and had narrative commentary on these if they were not being achieved. These also provide information on spend against each Directorate's capital programme.

CMT and the monthly budget boards provide a good focus on finance. In addition the s.151 officer and Head of Corporate Finance have regular meetings with Cabinet portfolio holders to keep them briefed on budgetary issues. This provides adequate opportunity to identify and follow up on budget variances.

We are satisfied that Cabinet members have a good understanding of the budgetary information provided. Each Cabinet member is the portfolio holder for a service. As such, members were highly involved in the setting of their budgets, and are able to understand the detail contained within these reports.

The budgetary reports provided to Cabinet is very detailed. The MTFP also includes multiple appendices. However, this is line with what we have seen at other authorities and provides enough information to inform decision making. There is not an excessive amount of detail as the budget information is at a relatively high level and stands alone, and detailed appendices can be reviewed on an 'as needs' basis.

# Governance

## Budgetary control (cont...)

There is also a 6-monthly and an annual Treasury Management Report made to the Audit & Governance Committee. This sets out the Council's strategy to focus on lower-risk investments utilising cash balances. The Council has a good liquidity position and has opted to utilise cash as internal borrowing to fund the capital programme, reducing overall borrowing costs, in preference to receiving low yield investment returns on surplus cash. This approach is prudent and represents a good use of cash balances.

## Financial Reporting

In planning this work, we had identified a risk of a significant weakness that the requirement to produce draft accounts on time, which were free from major errors or omissions, had not been met. Our audit of the 2020/21 financial statements audit is ongoing. This is due to the poor quality of accounts and working papers prepared for our initial audit. We accept that 2020/21 was the first year of the authority, and that there have been gaps in corporate knowledge and resource constraints within the Corporate Finance team we are concerned about the impact on the 2021/22 financial statements audit (which cannot commence until 2020/21 is completed).

The new finance team has responded well to our challenge and we continue to work constructively with them. The Regulatory and Financial Accounting Team has been enhanced since August 2022 with the management restructure providing a dedicated Assistant Director to provide focused oversight of the area as well as recruiting an experienced Financial Accountant to the newly created Chief Accountant post. In addition further posts have subsequently been appointed to within the structure and staff repurposed from other areas of the finance service to enhance capacity and expertise.

We consider that this is an area of significant weakness for the Council and have raised a key recommendation on this matter. More detail is provided in the financial statements section of this report.

## Subsidiary Companies and Joint Ventures

The Council has 3 owned companies and one joint ventures. All members of relevant committees and the directors of the companies have received training covering their roles and responsibilities; best practice in running a company and conflicts of interest.

Improved governance arrangements were approved by Cabinet in March 2022. This included the establishment of a joint shareholder committee as a sub-committee of Cabinet. The first meeting took place in July 2022. This has helped further strengthen the governance arrangements over associated companies.

The main company is Aylesbury Vale Estate (AVE) a joint venture with Akeman Property a private sector company. AVE was established in 2009 by the Aylesbury Vale District Council to manage the legacy Aylesbury Vale estate. The Company has net assets of c£53.6m. The Council has a 50% ownership of the company and secured debts on the assets of c£28m. In March 2022, the Council received a £340k dividend which was £40k over forecast. The strategy was for similar dividends to be paid over the next two years. No issues were raised by the partnerships auditors with regard to going concern.

Consilo Property Limited has net assets of c£35m and is funded via loans from the Council of a similar value. The performance of the company and its ability to repay the debt could impact directly on the Council's finances. No issues were raised by the partnerships auditors with regard to going concern.

Buckinghamshire Advantage has a small net asset balance of c£300k and it is unlikely that the companies finances would have a significant impact on the Council's finances.

The Council is also the Trustee of 2 Trusts. The accounts for these Trusts are reviewed by the Audit and Governance Committee.

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# Governance

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## Subsidiary Companies and Joint Ventures continued...

We also note there were no specific internal audit reviews over either these entities or looking at the scrutiny and governance over these companies during the year. We have made improvement recommendations on these areas.

While we note that adequate governance arrangements were not in place during the 2021/22 year we are satisfied that improved arrangements are now in place.

## Conclusion

Overall, the Council has good policies in place to promote and maintain good standards of governance. We have identified four opportunities for improvement, set out on pages 17-20. We consider that the delay in preparing its 2020/21 financial statements and the subsequent impact on later years represents a significant weaknesses in the Council's governance. We have raised a key recommendation on this matter. See page 31.

# Improvement recommendation



## Governance

<b>Recommendation 2</b>	The Annual Governance Statement (AGS) should be reviewed, updated and published in a timely manner
<b>Why/impact</b>	This statement sets out the Council's assessment on the effectiveness of its arrangements in place. If the AGS is produced late in the year this could delay the identification of issues.
<b>Auditor judgement</b>	The AGS has not been produced in a timely manner.
<b>Summary findings</b>	The Council did not agree or adopt a 2021/22 AGS during the year. The 2020/21 AGS was not agreed until March 2022. The 2021/22 AGS was agreed in November 2022.
<b>Management comment</b>	<p>The delays in achieving approvals for the AGS for 2020/21 and 2021/22 are linked to the delays in finalising the respective Statement of Accounts, alongside which they are intended to sit; together with Covid.</p> <p>The 2021/22 AGS was actively commented on by the Committee, in draft form, in September 2022/23 which laid out the main governance issues and findings; the draft was not substantively changed with only certain minor amendments made at the November 2022 final approval meeting. This was in line with the statutory deadline of publishing the accounts for that year.</p> <p>Importantly, the Committee was informed that CMT had outlined a more integrated approach to preparing the AGS going forward. This would involve input from Business Managers and Statutory Officers, as well as CMT and the Committee; and would impact the content and design. For the 2022/23 AGS, consultation is already under way with Business Managers and Committee members, and following CIPFA best practice guidance; together with Business Manager assistance on developing a Local Code of Corporate Governance.</p> <p>This recommendation has now been implemented for the financial year 2021/22 and will continue to be updated on an annual basis and published in line with the Statement of Accounts deadlines going forward.</p>

# Improvement recommendation



## Governance

### Recommendation 3

The Council should consider strengthening the resourcing of Internal Audit Service

### Why/impact

Inadequate coverage of Internal Audit Reviews could impact the level of assurance that can be provided by the Head of Internal Audit

### Auditor judgement

There is a risk that key audits will not be conducted in a timely manner.

### Summary findings

34 planned audits were deferred to 2022/23 of these 2 had previously been deferred from 2020/21. This was due to resources pressures and other priority risk areas having been identified mid-year. Planning for 2022/23 has been communicated to Members, who were advised that the team would ensure adequate resource was in place throughout Q1 and Q2 to support this carried over work.

### Management comment

This recommendation not agreed. The findings do not provide the context behind the deferral of the planned audits. A Business Assurance Strategy Update report is presented as a standing item to each of the A&G committee meetings, and includes an update on changes to the Internal Audit plan, including the reasons for deferred audits and audits which are added to the original plan. The reports also include details of other assurance work which is not in the Internal Audit Plan. The plan needs to remain fluid to respond to emerging risks and urgent priorities. All changes to the plan are agreed by the Audit Board and A&G Committee.

The CIPFA external assessment of the Business Assurance Team during 21/22 confirmed full conformity with the Public Sector Internal Audit Standards.

The Business Assurance team was restructured in November 2022 with additional posts included in the structure, and the call off arrangement with the APEX Audit Framework enables a flexible level of resource.

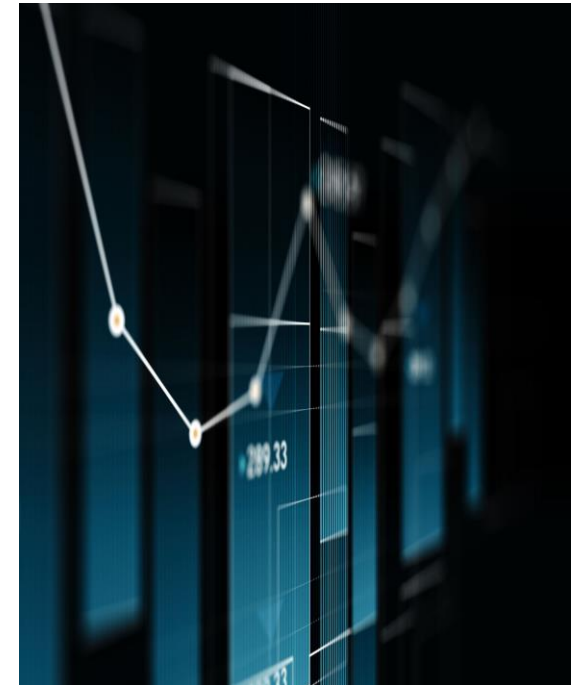
# Improvement recommendation



## Governance

<b>Recommendation 4</b>	Internal audit should consider whether work on associated companies should be included within the annual audit plan.
<b>Why/impact</b>	There is a risk that there is insufficient scrutiny and oversight over companies closely associated with the Council.
<b>Auditor judgement</b>	Whilst internal audit may not deem there to be sufficient risk to include this within the plan, consideration of the risk, both reputational and financial to the Council should be included within the internal audit planning cycle.
<b>Summary findings</b>	No reviews of associated companies were undertaken by internal audit during 2020/21.
<b>Management comment</b>	An internal audit review of the Council's companies and joint venture will be included in the annual audit plan for Q1 2023/24. This will allow time for recent enhancements/changes to be implemented.

The range of recommendations that external auditors can make is explained in Appendix B.



# Improving economy, efficiency and effectiveness



## In undertaking our work we considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Performance review, monitoring and assessment

The Council's Corporate Plan was established at the formation of the new authority. This sets out the four key 'priority objectives' of

- Strengthening our communities
- Improving our environment
- Protecting the vulnerable
- Increasing prosperity.

These four objectives are high profile and referred to throughout most of the key strategic documents and reports presented to members, including the budget, capital programme and MTFP.

There are quarterly performance reports to Cabinet which track the outcomes of Council activities. These are set out against 115 key performance indicators and include detailed commentaries on associated risks, achievements and other issues. These reports also highlight remedial actions being taken where slippage does occur. The report is set out by members' portfolios, and they present their KPIs with a verbal report to Cabinet, which helps ensure members remain focused on agreed objectives and priorities.

These KPIs are well contextualised. They are categorised as red, amber and green, and in addition, "not due to be reported", which is KPIs the Council will be reporting, but on which they don't currently have the data (as a new organisation, the data has either not yet been collected or comparator data is not applicable). Within the performance report and performance scorecard, outturns which are performing at or better than target are classified as Green, those which are within 5% of the target are Amber and those which are more than 5% off the target are Red. At the end of Quarter 4, 93 of the 115 indicators had outturns reported with a Red, Amber or Green status. Of these, 66 were Green (71%), 7 were Amber (8%) and 20 were Red (22%).

Whilst the overall performance report goes quarterly to Cabinet, services also look at their own KPIs more regularly. The quarterly performance report is signed off in advance by each Directorate to confirm the data is accurate. It is then also seen by CMT before it is presented to Cabinet. So, there is regular oversight over performance data, which provides comfort over the accuracy of the data being used by and presented to Cabinet.



# Improving economy, efficiency and effectiveness

## Performance review, monitoring and assessment (cont...)

KPIs and targets are reviewed annually and members were highly involved in developing and reviewing these at the end of the year. They have used the prior full year's data as a basis for consideration as to whether the KPIs were useful, relevant and timely. This, and the setting of the indicators and targets displayed against each KPI, is signed off by Cabinet.

We have reviewed a sample of performance reports and identified the following key areas where improvement is needed:

1. The percentage waste collection for recycling was rated red all year with performance worsening in the latter part of the year. Although the Council's performance has fallen and is now below the South East average, it remains above the England average. Driver shortages were the main reason given by the Council for this. The Council is offering incentives to try to attract drivers. However the Council notes that there are competitive challenges with other sectors offering more lucrative packages including hospitality, retailers and supermarkets.
2. Flood management was red but reported green by end of year however the target does not take account of volume of incidents so it is difficult to see if there has been actual service improvement or not.
3. The percentage of children's social care assessments completed in 45 working days was green at the start of the year but was rated red at the end of the year. The overall number of children that the social care service is working with rose by 22% in the year ending March 2022. As a result, the number of assessments starting rose by 30% between 2020/21 and 2021/22. In response to this increased demand, capacity within the service was increased leading to signs of improved performance during Q3. The Improvement Board and oversight of the CSC performance has helped contribute to the improvements.
4. The percentage of children in need seen within 4 weeks is also below target. The Council has reported increased demand and complexity of referrals leading to pressure across the service.
5. The number of households living in temporary accommodation (TA) for over 12 months was also above target at the end of Q4. There were 85 households against a target of 32. The Council reported a significant 65% increase in demand for TA compared to pre-pandemic levels (361 households in TA in March 2022 compared to 218 at Dec 2019). This increase in volume has a knock-on effect in that some households then spend longer in TA.

# Improving economy, efficiency and effectiveness

## Benchmarking

Benchmarking information is included within the Cabinet performance report with a number the KPIs benchmarked against national and regional datasets. For example, the Council benchmarks employment rates against national figures and takes action as appropriate. We note that the Council uses the following indicator as a benchmark 'LEA1 Percentage unemployed in Buckinghamshire to be less than 55% of the Percentage unemployed nationally compared to National figures'. This indicator compares the Buckinghamshire Claimant Rate with the National Claimant Rate of those claiming 'out-of-work' benefits as a proportion of the working age population. Pre-Covid-19, the Council's Claimant Rate tracked at 55% of the National Rate. As such, reducing the Council's Claimant Rate to be below 55% of the National Rate forms the target for this measure. The Council's performance at Q4 2021-22 was 67% and so the Council had established a number of improvement actions.

We carried out our own financial benchmarking against similar Council's. This identified relatively high spend per head of relevant population in SEND, Public Transport, Environmental safety and routine maintenance, and Development Control and reflects local political choices. Very low spend areas are Adult Social Care and Corporate and Democratic core. The high spend on SEND reflects statutory responsibilities and the national trend of increasing demand ,the increase in resources put into this area as a result of critical Ofsted inspection discussed in more detail on p21 of this report. The Council will need to monitor its spend in low cost areas to ensure that it remains sustainable and that service performance is appropriate.

We also reviewed the Council's position on the CIPFA Financial Resilience Index. The index is an indicator of financial stress. The Council actually performs well across all of these indicators indicating a low level of risk in this area.

Overall, we are satisfied that KPI, benchmarking and other performance reporting is strong at the Council.

# Improving economy, efficiency and effectiveness

## Children's Services

Throughout much of the 2021/22 year, there was an inadequate rating in place from the most recent (2018) Ofsted review of children's services at the predecessor County Council. In December 2021 Ofsted performed a full reinspection at the new authority, and the rating has moved from inadequate to 'requires improvement'.

Ofsted have recognised the high level of activity and the improvement in some key performance indicators, such as the timeliness of initial assessments and initial child protection conferences. OFSTED reported that the Council has made notable progress since the last inspection, increasing the number of children with the Council's foster carers, reducing the number of children placed with parents under court orders, and increasing the number of children staying put with their carers by 20%. As a result of this continued improvement of services, the revised Statutory Direction issued to the Council in July 2018 has been lifted and the Council is now in a period of 'support and supervision'. This is in line with all authorities who exit formal intervention.

Whilst this revised rating is positive, and reflects the progress which has been made over the year, it is acknowledged there is still scope to improve the service and there remain elements of inconsistent practice across the Council's 12 frontline children's social care teams. This demonstrates a positive trajectory as the Council has been focussed on the implementation of its improvement plan. There has been regular monitoring of progress against this plan. Governance of the service has been good with progress updates against the improvement plan being considered by Cabinet twice during the year. These reports showed progress against performance measures which are RAG rated. We note that the main oversight of the plan rests with an Improvement Board which has been purposefully retained (and a request for it to be funded by the DfE was accepted) which met monthly throughout the period. This Board has an Independent Chair and the Chief Executive and Lead Member attends these meetings along with representatives from the Department for Education and states there is sufficient challenge over the work being done. The Chief Executive also has one-to-one meetings with the Director of Children's Services and receives weekly KPIs on the service. The Improvement Board papers are available to Corporate Management Team for an additional layer of challenge.

Under the Inspecting Local Authority Children's Services (ILACS) inspection framework, Ofsted held an annual conversation with the Council in July 2022 and in preparation for that meeting with Ofsted, the Council shared its own self-assessment and performance data for both children's social care and education. Feedback received from Ofsted at the end of the annual conversation was positive and the Council's self-assessment was accepted in full. In October 2022, in line with the ILACS framework, Ofsted conducted a Focused Visit that looked at our services and support offered to care leavers. Whilst this was not a graded inspection, Ofsted has now published their findings from this visit. A number of positive practices were identified including

- support to care leavers in Buckinghamshire has improved since the last OFSTED inspection
- Leaders in Buckinghamshire have an understanding of the strengths of the service, the areas for development and the future challenges.

# Improving economy, efficiency and effectiveness

## Children's Services (cont...)

Inspectors also identified four areas of practice that need to improve. The Council therefore intends to continue to follow a cycle of improvement, reviewing and testing of its practices and oversight. The aim of this work is to ensure that the Service is making progress and creating actions to address our priority areas. The Independent Improvement Board chaired by John Coughlan, CBE, will continue to have oversight and provide challenge to the Council on this work. In September 2022 HMIP inspected the Youth Offending Service and gave an overall judgement that the service was Good. The Improvement Board received the priorities and transformation plan presented by the DCS which was endorsed by the IB and it was accepted as an appropriate plan to achieve good.

One of the challenges faced by the Children's Services Directorate has been staff recruitment and retention. We note that one of the Council's initiatives to address this has been the creation of a 'Social Care Academy'. This has been set up to bring in cohorts of trainee social workers in groups of 20 and has so far successfully recruited 3 cohorts i.e. 60 additional workers. The intention is to train them to qualified social worker status. Whilst the Council will incur the up front costs in running this academy, the intention is to save on agency costs later.

We are satisfied that the Council has established appropriate arrangements to ensure the improvement of services.

## Children's Services – Special Educational Needs and Disabilities Service

A Special Educational Needs and Disabilities (SEND) inspection took place between February and March 2022 and was undertaken by Ofsted and the Care Quality Commission (CQC). The inspection raised significant concerns about the effectiveness of the area. As a result of the inspection findings, the local area was required to submit a Written Statement of Action (WSOA) to address significant areas of weakness. These relate to the provision of specific health services for children and young people with SEND. The local authority and the area's Clinical Commissioning Group (CCG) were jointly responsible for submitting the written statement to Ofsted.

The WSOA was approved in August 2022. The WSOA has three strands which are interdependent: integrated therapies; new pathways and developing more community paediatricians. The aim is to reduce waiting lists through earlier intervention and access to services without the need for a full assessment or diagnosis. An Independent Improvement Board has been established to monitor progress with the WSOA. The Board has representatives from across the Council and Health Services. A WSOA working group has been established which reports to the Board.

A key challenge will be ensuring the WSOA working group has adequate resourcing given other competing priority areas for both the Council and the Health Services. The Department for Education (DfE) conducted its first monitoring visit in December 2022 with positive feedback received. One of the areas for improvement highlighted by DfE related to the need for the Council to measure the impact of the lived experience of those impacted by the service. This is a 2-3 year piece of work for which funding has recently been released. A further challenge is the number of clinical specialists available to undertake assessments and requirements including funding impacts are still being assessed.

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# Improving economy, efficiency and effectiveness

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## Children's Services – Special Educational Needs and Disabilities Service (cont...)

A broader 'Better Buckinghamshire' transformation plan is being developed and as part of this the Council plans to look at the strategic design of the Children's Service. The Council's MTFP has been updated to reflect these plans. There is a risk that demand for services will continue to grow which will put further strain on necessary budgets. The Council has already seen an increase in unaccompanied Asylum seekers as a result of nationally mandated policy. Many of those cases have more complex needs as a result of trauma and therefore are relatively more expensive. The Council is looking to address this through more strategic commissioning and meeting more complex needs through in-house placements. In addition SEND is also a priority for the Executive Place Based Partnership

We note that the current SEND Dedicated School Grant deficit is c£4m. While this is low in comparison to many other councils it is important that the cost of this service is effectively managed while also responding to the WSOA

A planned internal audit in this area was deferred to 2022/23 and was undertaken in Q1 2022. . A Childrens SEND Payments Process Assurance Audit was undertaken in Quarter 1 2022/23. The review found a number of issues which were classified under six key headers: Unclear Roles and Responsibilities, Query Backlog, Unreliable Data, Lack of Management Information, Lack of Key Performance Indicators and Excess of Spreadsheets. Recommendations on improvement initiatives are being implemented by the Council. The Council will need to carefully monitor progress with implementing the WSOA. An improvement recommendation has been made in this respect.

Overall, we are satisfied the Council has good arrangements in place to monitor and assess its response to regulatory findings.

# Improving economy, efficiency and effectiveness

## Partnership working

For transition to Unitary there was a workstream called ‘Strategic Partnerships for the Transition. There was an established Strategic Partnership Board for Day 1, and this was operating in shadow, to enable ongoing communications with stakeholders, including newsletters as well as ongoing meetings. There has always been a lot of focus on the voluntary sector, and now the authority is working with c 2,400 charities.

There Council has in place four strategic partnership boards. These are

- i. The Buckinghamshire Safeguarding Children Partnership
- ii. The Buckinghamshire Safeguarding Adults Board
- iii. The Buckinghamshire Health and Wellbeing Board (encourages joined up health and care services)
- iv. The Safer Buckinghamshire Board (sets out a community safety plan and monitors its progress)

A joint chairs protocol is in place across these four boards to support effective joint working. The joint chairs meeting, chaired by the Bucks CEO, meets three times a year to identify synergies, cross cutting themes and learning opportunities. They are joined by NHS and police representatives, as well as the Adults and Children’s Corporate Directors. This was set up in early 2020 and is scheduled to be reviewed and updated annually. This was operating in shadow, so it was here they thought about the risks and opportunities for working with partners in the move to unitary status.

Boards are also tasked with maintaining strong links with other strategic groups, including for example the Police and Crime Commissioner Panel, the Children and Young People’s Partnership, the Voluntary Sector Recovery Board and the Local Enterprise Partnership Board. These workstreams helped identify the active partnerships in place, enabled communication to partners and identified what was already working well and what would and wouldn’t need to change under unitary. They also identified that not all arrangements needed to move to the county wide new unitary, some were better off remaining at a district level.

Through this, there is good oversight of the bodies that work together on/with these boards.

From the Corporate Plan 2020-2023

### Getting involved: community boards

Community boards enable a focus on local solutions. There are 16 boards across the county. They bring together councillors and local communities to help solve local issues, take local decisions and influence local service design and delivery.



# Improving economy, efficiency and effectiveness

## Partnership working (Cont'd)

There is an officer steering group, which supports the four Strategic Partnership Boards. This meets monthly. This group develops briefing materials and collates metrics and evidence to assist with the Board's work. There is a significant amount of information and intelligence sharing between these Boards, and each produces an annual report and work plan and monitors and reports on progress, impacts and outcomes. This is reported to the Communities and Localism Select Committee. Members either Chair or participate in partnership bodies, so they are well networked across partnership arrangements. CMT also include partnership conversations in their weekly meetings.

The Council has also set up 16 Community Boards. Each of these Boards has a Chair and an additional member from the Council. Town and Parish Councils, voluntary sector, health, fire and police colleagues all sit on these Boards. The work done by these Boards during transition meant they had a good local understanding and were able to help establish practical support within 2 days of the pandemic lockdown. The Council put in place Community Board area coordinators who could work in tandem with the pop-up community groups which emerged in the pandemic.

In September 2021 the Cabinet received its first Community Board Annual report. Key achievements: reported included:

Seven Community Boards partnered with Buckinghamshire Business First to deliver the Be Your Own Boss initiative to support small business start-ups as a part of Covid recovery. By working in collaboration, each Board was able to fund 12 places on the scheme for residents in their area, with events taking place throughout 2021.

Five Community Boards in the north of the country collaborated with Aylesbury Vale and Milton Keynes Sexual Assault and Abuse Support Service to set up a pilot counselling service for 14 months, in response to the increased need for support services due to the pandemic.

Three Community Boards partnered with Transitions UK, and other local partners including local housing associations Paradigm and Red Kite to pilot youth mentoring and support for 12 young people, aged 13-21, at risk of offending, criminal exploitation or wanting to change direction following offending.

New Community Board KPIs have been included in the main KPI reporting to Cabinet for 2022/23.

From the Corporate Plan 2020-2023

### Getting involved: community boards

Community boards enable a focus on local solutions. There are 16 boards across the county. They bring together councillors and local communities to help solve local issues, take local decisions and influence local service design and delivery.



# Improving economy, efficiency and effectiveness

## Partnership working (Cont...)

The Youth Offending Service Partnership is a multi-agency partnership between the Police, Children's Services, Health Services, Probation, Community Safety and both voluntary and private sector providers. The Youth Justice Board (YJB) has set three national outcome indicators which form the baseline for performance information included within the Partnership's plan. These are as follows: Reduce the number of First Time Entrants (FTE) to the Youth Justice System; Reduce Re-offending, and Reduce the Use of Custody. The Youth Offending Service Partnership Board provides Strategic Overview and will monitor performance against these indicators.

The Council agreed a Domestic Abuse Strategy in Dec 2021. This falls under the umbrella of the Safer Buckinghamshire Board. The multi-agency Board helped co-design the strategy and will oversee an action plan to commission and deliver support to victims and their children within safe accommodation services. In drafting the strategy, the Board considered research from the 2021 Director of Public Health's annual report, the 2021 needs assessment and consultation feedback. Buckinghamshire has received £850,000 from the government for specific elements of the new statutory duties. More detailed allocations will be formed following the development of SMART action and delivery plans. KPIs are monitored through the Bucks Safeguarding Adults Board. This indicator shows the number of physical and domestic abuse reported as a rate per 100k of the adult population in Buckinghamshire. There were 131 enquiries relating to physical and domestic abuse concluding in Q3 (2022/23), which equates to 31 per 100k population. This is lower than both the equivalent benchmark rate for the South East (44) in 2021/22 and Buckinghamshire's rate for the same period in the previous year (2021/22) of 64.

The Communities and Localism Select Committee undertook an inquiry during 2021/22 into the effectiveness of covid-19 grants. This report recognises the effectiveness of strategic partnerships, especially with the voluntary sector. This is good as it reflects a recognition that the distribution of grants must be aligned with corporate and strategic priorities.

Partnership working is a key theme running through the Corporate Plan and working with partners is mentioned throughout. In reading the plan, these aims and aspirations are clear.

We are satisfied that the Council has taken appropriate steps to identify and design its role with significant partnerships.

From the Corporate Plan 2020-2023

### Getting involved: community boards

Community boards enable a focus on local solutions. There are 16 boards across the county. They bring together councillors and local communities to help solve local issues, take local decisions and influence local service design and delivery.





# Improving economy, efficiency and effectiveness

## Procurement

Following its establishment as a unitary council, management noted a variability of contract management approaches across the previous legacy councils. To ensure a consistency of approach a Supplier Management Group was established. This is a steering group that looked at Supplier Relationship Management and identified areas for improvement. This group aims to promote consistent and high-quality Supplier Relationship Management across the organisation, maximise value for money, promote social value and understand and promote supplier resilience. The Procurement team have helped deliver £3.2m in contract savings from the commencement of the unitary authority, economies of scale are a key factor in this achievement.

In order to develop a new positive culture and ensure a high level of assurance, a Strategic Procurement Team was also set up. This team has provided training on several areas. This level of training is above what we have seen at some other Councils covering: Understanding Procurement training ; ProContract e-Sourcing Tender portal training ; Contract Management Development training ; Contract Management Application (CMA) training; Modern Slavery in the Supply Chain training, and Best Practice Self-Assessment training.

Procurement rules form part of the standing financial instructions contained within the Constitution and there is further guidance on the Council's contracts and procurement intranet site. The general procurement rules require all contracts over £25k to be subject to competition. Waivers are permitted in certain circumstances. These waivers must be authorised by the s.151 officer, Chief Monitoring Officer, relevant Corporate Director and relevant Cabinet Portfolio holder. Any such contract waivers or breaches are regularly reported to Audit and Governance Committee and managers involved in breaches can be invited to the Committee. The Committee report sets the highest and lowest value waivers in the period, together with a commentary on why these were used. The Procurement team also monitor the use of waivers. All contract managers and responsible for breaches are subject to mandatory training.

We note that there were 32 waivers in quarter one and two with a value of £8.5m This included a medium risk rated CAHMS contact for £4.2m There were a further c£17m of waivers in quarter 3 and 4 of 2021/22. In the 6-month period from April 2022 to September 2022 there were 28 waivers, 14 of which were raised retrospectively. The total value of the 28 waivers was £7.2m with the value of retrospective waivers £2.4m. We note that even where waivers do follow the correct process of authorisation it still means that the Council may not be achieving the full benefits of competition. We note that in one instance the Council breached of the Public Contracts Regulations 2015 during this period. The highest value waiver in Quarter 1 and 2 of 2022/23 was for a contract of £2.17m. The table below shows the volume and value of waivers over the previous 12-month period.

# Improving economy, efficiency and effectiveness

## Procurement (cont..)

The Procurement team intends to take a more proactive approach going forward to work with service managers and identify a pipeline of contracts required. A new category management approach is also being introduced by the Procurement team to reduce the number of waivers.

## Procurement

Directorate	Quarter 3 FY 21/22		Quarter 4 FY 21/22		Quarter 1 FY 22/23		Quarter 2 FY 22/23	
	No. of Waivers registered	Total Value	No. of Waivers registered	Total Value	No. of Waivers registered	Total Value	No. of Waivers registered	Total Value
ADULTS & HEALTH	0	£0.00	2	£98,317.00	4	£327,058.00	2	£1,235,980.25
CHILDRENS SERVICES	2	£82,008.00	1	£305,000.00	1	£120,000.00	2	£217,000.00
COMMUNITIES	2	£49,381.74	3	£223,745.00	2	£70,383.96	3	£1,224,318.00
DEPUTY CHIEF EXECUTIVE	1	£635,000.00	2	£69,831.00	0	£0.00	0	£0.00
PLANNING, GROWTH & SUSTAINABILITY	4	£13,773,221.58	9	£566,294.33	4	£313,495.78	5	£2,305,999.60
RESOURCES	1	£35,136.85	3	£1,117,225.00	4	£1,390,551.68	1	£15,000.00
<b>TOTAL</b>	<b>10</b>	<b>£14,574,748.17</b>	<b>20</b>	<b>£2,380,412.33</b>	<b>15</b>	<b>£2,221,489.42</b>	<b>13</b>	<b>£4,998,297.85</b>

Table 6: Summary of all Waivers registered in the past 12 months

# Improving economy, efficiency and effectiveness

## Procurement (cont...)

There is a Supplier Management Policy in place which forms part of the Council's Commissioning Model and provides best practice guidance on the processes that are to be followed to enable effective management of contracts. The Supplier Management Policy specifies the mandatory documents and data fields that should be populated on the Contract Management Application (CMA) system for each contract. This includes setting out the contracts that should have a Best Practice Self-Assessment (BPSA) carried out on an annual basis.

Contracts with suppliers where there is an ongoing relationship and who have an aggregated value of £5k or more must be entered on the CMA. All contracts held on CMA are segmented according to the annual spend and criticality, looking at risk and supply threats of the product or service supplied.

We note that the CMA is a manual system and that it does not link up to the SAP payments system. As such, SAP cannot allocate spend to a particular contract. This inhibits effective reporting and monitoring of actual spend against contract value. It is also not possible to verify that appropriate factoring or discounts built into contracts are being applied to actual payments made. The Procurement team are working on a fix to this by utilising Microsoft Power BI reporting tools and also by utilising additional functionality within the SAP system.

Spend on Procurement Cards is currently exceeding £2m per annum. Procurement cards are a useful tool for officers to ensure that goods and services can be provided in a timely manner. However, this flexibility does need to be balanced against value for money and where possible officers should purchase goods and services using contracts with approved suppliers exist. Our analysis of spend for one month identified some notable large areas of spend including £13k at amazon marketplace; £43.5k at AO (household appliances); £19.5K at the Buckinghamshire Hotel; and £13k spent at Argos. Discussions with the Council indicated that the expenditure reflect its Helping Hands and Ukrainian refugee support and reflects the need to purchase goods in short periods. The Council has confirmed that it is satisfied that the expenditure is appropriate. We note that Internal Audit's 2020/21 review of purchasing cards found some deficiencies in control, although the overall rating of the report was reasonable.

We also reviewed the Council's Internal Audit Reports on Leisure contracts, Supplier viability, Energy from waste contract, and Waste collection contract. All reports received reasonable assurance and no significant issues were reported.

Overall, based on the information we have reviewed, we can consider that the Council's procurement arrangements are reasonable but note that continued action is needed to reduce the level of waivers. We will monitor the progress the Council is making in this area.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified one improvement recommendation, set out below.

# Improvement recommendation



## Improving Economy, Efficiency and Effectiveness

<b>Recommendation 5</b>	The issues identified in the internal audit of Childrens SEND Payments Process Assurance should be carefully monitored.
<b>Why/impact</b>	Any system failure in children's services is likely to have a significant impact, both to the service users and to the Council staff involved as well as to the reputation of the Council.
<b>Auditor judgement</b>	There have been significant concerns about the effectiveness of this area.
<b>Summary findings</b>	<p>A Special Educational Needs and Disabilities (SEND) inspection took place between February and March 2022 and was undertaken by Ofsted and the Care Quality Commission (CQC). The inspection raised significant concerns about the effectiveness of the area. As a result of the inspection findings, the local area was required to submit a Written Statement of Action (WSOA) to address significant areas of weakness. A planned internal audit in this area was deferred to 2022/23.</p> <p>A Childrens SEND Payments Process Assurance Audit was undertaken in Quarter 1 2022/23. The review found a number of issues which were classified under six key headers: Unclear Roles and Responsibilities, Query Backlog, Unreliable Data, Lack of Management Information, Lack of Key Performance Indicators and Excess of Spreadsheets.</p>
<b>Management comment</b>	<p>We are not aware of Internal Audit referenced in the recommendation above as we did not do a SEND audit in 2021/22. However, in March 2022, the local area SEND Inspection identified the following 3 areas of significant weakness:</p> <ol style="list-style-type: none"> <li>i. The lack of a cohesive area strategy to identify and meet the needs of those children and young people requiring speech and language, communication and occupational therapy</li> <li>ii. Waiting times for assessments on the autism and attention deficit and hyperactivity disorder diagnosis pathways and the system-owned plans in place to address this</li> <li>iii. Waiting times to see a community paediatrician.</li> </ol> <p>In response, the ICB has made a commitment to invest £4.6m SEND transformation funding this year across these three areas to increase the workforce capacity in order to stabilise waiting lists this year so that children and young people in Buckinghamshire receive a more timely service.</p>

# Opinion on financial statements

We have not commenced our 2021/22 financial statements audit. Our work has been delayed due to the ongoing audit of the 2020/21 financial statements audit.

## Status of 2020/21 financial statement audit.

Buckinghamshire Council was formed from 5 Council's on 1 April 2020. 2020/21 is the first set of unitary council financial statements for Buckinghamshire Council. The Council had planned to provide draft accounts at the end of July 2021, in advance of the national deadline of 31 August 2021. However draft accounts were not provided until 5 October 2021. The draft financial statements provided for audit were not complete, with significant elements missing – including the Statement of Cash Flows, group accounts, the expenditure and funding analysis, and grants disclosure. The Balance Sheet was also missing brought forward balances in respect of the Council's plant, property and equipment.

Our technical review of the draft accounts identified many areas of the financial statements and notes requiring investigation and/or rectification by Finance. The audit team worked with Finance to identify areas of the audit that could be progressed, such as review of the fixed asset register and IAS 19 testing, whilst the draft accounts were being updated but the trial balance was not available until early October 2021, which held up much of our substantive testing.

Since October 2021 there have been many iterations of the draft accounts, with the most recent version provided to audit in September 2022, version 15. In this revised set of accounts the Council's net expenditure position in the Comprehensive Income & Expenditure statement reduced by £23.548m (from £64.9m in the original draft accounts to £41.352m). Significant movements in the Balance Sheet have also occurred with the net assets position increasing by £30m (from £925.675m in the original draft accounts to £955.707m).

In February 2023 we issued a position statement to the Council. This highlighted that our audit was ongoing and that we continue to have a number of concerns with regard to the quality of accounts and working papers presented for audit. We noted that management have worked closely with us on the restatement of the accounts and continue to provide the information needed to the best of their ability given the legacy systems that they have inherited.

Our position statement highlighted:

- Areas where work is substantially complete pending review
- Areas where further work is required and it is deemed reasonable for us to complete
- Areas where we have issues with the listings and so taking to Internal Panel for consideration.



# Opinion on financial statements

## Status of 2020/21 financial statement audit (cont..)

The last area represented our primary concern, which was whether a number of balances presented for audit were suitable for audit. For example, the operating expenditure balance (£680m) contained material debit and credit entries that result in an auditable balance of £2bn. Due to the large amount of contras we reported that it is not possible to gain assurance over some balances as presented. In response management have begun to undertake additional work to remove both debit and credit balances that do not form part of the final balance.

The methodology proposed by management will require considerable input by both management and ourselves as auditors. Given the unusual circumstances it is not possible to estimate when the audit will be completed. We note that the response lessens but does not entirely remove the risk of a modified audit opinion being given on the Council's financial statements. Due to the level of error noted in the financial statements and the matters highlighted above we have reduced the level of materiality applied. This will also increase our testing.

## Status of 2021/22 financial statements audit

Due to the issues outlined above with regard to the 2020/21 financial statements, the Council have not been able to prepare a set of financial statements for 2021/22 and we have not commended our audit work on 2021/22. We have agreed a timetable for completion of the 2020/21 accounts by Autumn 2023 and for completion of the 2021/22 accounts audit by April 2024.

## Conclusion

Due to the matters outlined above with regard to the council's 2020/21 financial statements audit we have concluded that the Council does not have appropriate arrangements in place for the preparation of its financial statements. We have raised a key recommendation on this matter.



# Key recommendation

## Financial Statements

<b>Key Recommendation 1</b>	<p>The Council should ensure that:</p> <p>Appropriate arrangements are in place to ensure that its 2020/21 financial statements audit is completed by December 2023</p> <p>Quality control checks are put in place with regard to the 2021/22 financial statements to ensure that they are free from material error and are supported by appropriate ledger listings and working papers.</p>
<b>Why/impact</b>	<p>The 2020/21 financial statements presented for audit contained material errors and were not of an appropriate quality. This has significantly delayed the completion of the audit. As such the Council does not have independent assurance over its financial position for 2020/21 and 2021/22.</p>
<b>Auditor judgement</b>	<p>The Council does not have appropriate arrangements in place for the preparation of its financial statements.</p>
<b>Summary findings</b>	<p>The 2020/21 financial statements presented for audit contained material errors. This has resulted in delays in the audit and the need to significantly restate the 2020/21 financial statements. Due to the delays in 2020/21 process the Council has been unable to complete the preparation of its 2021/22 financial statements.</p>
<b>Management comment</b>	<p>The service review of the Financial Reporting was completed in March 2023. We have appointed to the Chief Accountant role and most of the vacancies within the team. The team is working on addressing the audit queries for 2020/21 and preparation of draft statement of accounts for 2021/22. Quality Controls for working papers and the consolidation processes are now implemented which would lead to production of Statement of Accounts without material errors. 2020/21 was the first year of Unitary Council and It is anticipated that there would be a more 'normal' approach with future Statements of Accounts work.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

# Pension fund

## Pension fund

Overall responsibility for administration and governance of the Buckinghamshire Pension Fund lies with Buckinghamshire Council as the administering authority.

In order to discharge these responsibilities the Council has established:

- a Local Pension Committee which is responsible for management of the fund. Membership of this Committee is made up of members of the Council and of admitted bodies within Buckinghamshire, and also includes a number of non-voting staff representatives. The Committee met quarterly throughout 2021/22 and held an annual meeting in order to discharge its responsibilities to oversee investment management strategy and governance.
- a Local Pension Board under Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) which operates independently of the Local Pension Committee, and whose role is to assist the County Council as the Administering Authority and Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme. The Board met quarterly throughout 2021/22 and publishes the Pension Fund Annual Report.

The Pension Fund publishes an annual Governance Compliance Statement which is included in the Pension Fund Annual Report and sets out how the fund has complied with its governance and investment management responsibilities.

Our audit of the 2021/22 Pension fund financial statements is nearing completion. No material errors have been identified from our audit work.

## Conclusion

From the work undertaken, we have not identified any significant weaknesses in the governance arrangements for the Pension Fund.





# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?
1	There should be a continued keen focus from the Council on identifying and agreeing savings over the next three years, to meet the shortfall identified in the Council's MTFP.	Improvement	Dec 2022	The Committee disagreed with this recommendation and requested for this to be removed	No, the recommendation was not agreed by the Council.
2	The Corporate Finance Team should be strengthened to enable a timely final accounts process. This will require close oversight over the coming months, and we may consider it necessary to elevate this to a significant weakness and a key recommendation if progress is not seen over that timeframe.	Improvement	Dec 2022	A dedicated Financial control and reporting is now in place lead by the Chief Accountant and have recruited to all the vacancies within the team. The team is working on addressing the audit queries for 2020/21 and preparation of draft statement of accounts for 2021/22. Quality Controls for working papers and the consolidation processes are now implemented which would lead to production of Statement of Accounts without material errors.	Yes
3	The Annual Governance Statement (AGS) should be reviewed, updated and published on an annual basis.	Improvement	Dec 2022	The 2021/22 AGS was actively commented on by the Committee, in draft form, in September 2022/23 which laid out the main governance issues and findings; the draft was not substantively changed with only certain minor amendments made at the November 2022 final approval meeting.	Yes
4	Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests by committee, party or ward.	Improvement	Dec 2022	A link has been added to the Council's web site on the Councillors page which provides a central, online reference to all Members' ROIs. Cross-referencing Members' ROIs with links already in place with memberships, councillors by party, and councillors by ward will present the opportunity to ascertain such information by committee, party, or ward.	Yes

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
5	Training should be provided for members and officers acting in directorship and/or representative roles on associated companies and joint ventures.	Improvement	Dec 2022	Training took place on 23/09/22 which covered roles and responsibilities as well as best practice in running a company. Conflict of interest guidance has been developed and formally adopted by the committee in January 23	Yes	
6	There should be regular reporting to TCWG of the activities and financial plans and performance of associated companies.	Improvement	Dec 2022	A Shareholder Committee (sub-committee of cabinet) has been set up from July 22n and meets quarterly to review and scrutinise the governance arrangements, financial plans, activities and performance of the Council's companies and joint ventures	Yes	

# Opinion on the financial statements



## Audit opinion on the financial statements

We have not yet started our work on the 2021/22 financial statements. The reasons for this are reported on page 15 of this report.



# Appendices

# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

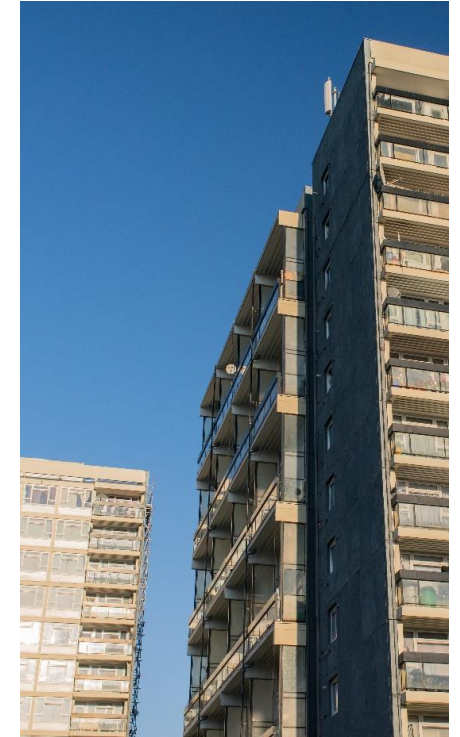
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council 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.



# Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
The predecessor County Council received an inadequate Ofsted rating in respect of Children's Services.	Reviewed progress against and actions taken as part of the Improvement Plan. Discussed this with Senior Officers.	Ofsted have now been able to perform a full reinspection at the new authority, and the rating has moved from inadequate to 'requires improvement'	Our conclusion is that this is not a significant weakness
The Corporate finance function had not produced draft accounts on time which were free from significant omission.	Liaised with the financial statements audit team to consider whether this was indicative of a significant weakness. Discussed this with senior officers at the Council.	Whilst there are resource constraints within this team, we are satisfied this is a capacity issue, not a result of a lack of expertise. The inability to recruit permanent members of staff to Council finance teams has been seen at a number of other authorities.	Our conclusion is that this is not a significant weakness

# Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Opinion 41
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	FS Governance Improving economy, efficiency and effectiveness 15 23-25 38







## Report to Audit and Governance Committee

**Date:** 5<sup>th</sup> July 2023

**Reference number:** N/A

**Title:** Buckinghamshire Pension Fund Accounts to 31<sup>st</sup> March 2021

**Relevant councillor(s):** N/A

**Author and/or contact officer:** David Skinner, Service Director of Finance Section 151 Officer

**Ward(s) affected:** Not applicable

### Recommendations:

- 1. The Committee is asked to review the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31st March 2021.**
- 2. The Committee is asked to approve management's proposed treatment of areas identified by the auditor.**
- 3. To approve the Buckinghamshire Pension Fund Statement of Accounts 2020/21 and delegate final sign off of the Statement of Accounts to the Chairman of Audit and Governance Committee and the S151 Officer subject to:**
  - No material changes in the accounts**
  - Final sign off by the external auditors of Buckinghamshire Council accounts 2020/21.**

### Executive Summary

1.1 The audited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2021 is attached as Appendix 1. The Buckinghamshire Pension Fund Accounts and Net Assets Statement show that in the year to 31<sup>st</sup> March 2021 the value of the Buckinghamshire Pension Fund increased by £725m to £3.638bn. Grant Thornton have substantially completed the audit and they have not identified any adjustments to

the financial statements that impact the Buckinghamshire Pension Fund’s net asset position. Grant Thornton anticipates issuing an unqualified audit report opinion.

## Content of report

1.2 The Buckinghamshire Pension Fund Accounts and Net Assets Statement show that in the year to 31<sup>st</sup> March 2021 the value of the Pension Fund increased by £725m to £3.638bn. This is the net result of the contributions made (£177m) including transfers in from other pension schemes, employers’ contributions and employees’ contributions; payments out £140m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £18m plus net returns on investments (£725m).

1.3 The table below summarises the income, expenditure and returns on investments for the financial years 2019/20 and 2020/21.

<b>31 March 2020</b> <b>£000</b>		<b>31 March 2021</b> <b>£000</b>
<b>(3,007,024)</b>	<b>Value 1st April</b>	<b>(2,913,700)</b>
(129,176)	Income	(176,790)
119,020	Benefits	121,280
10,189	Payments to and on Account of Leavers	18,959
16,474	Management expenses	18,371
76,817	Returns on Investments	(706,385)
<b>(2,913,700)</b>	<b>Value 31st March</b>	<b>(3,638,265)</b>

1.4 The draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31<sup>st</sup> March 2021 is attached as Appendix 2. Grant Thornton have substantially completed the audit and they have not identified any adjustments to the financial statements that impact the Buckinghamshire Pension Fund’s net asset position. Grant Thornton anticipates issuing an unqualified audit report opinion. The formal sign off for the Pension Fund Statement of Accounts will take place at the same time as the formal sign off for Buckinghamshire Council’s Statement of Accounts which is anticipated to be during 2024.

1.5 Most of the audit work took place during the summer of 2021. The audited accounts and the draft Audit Findings Report were presented to Pension Fund Committee and the Audit and Governance Committee on 7<sup>th</sup> September 2021 and 29<sup>th</sup> September 2021

respectively. Since September 2021 there has been some further work undertaken on Level 2 investments and further review of the audit working papers following a change of Audit Director. Level 2 investments are investments where quoted market prices are not available, the Financial Reporting Council (FRC) introduced additional audit requirements in 2022.

1.6 There are three main changes to the draft Audit Findings Report considered by Committee in September 2021:

- Page 10 significant judgement or estimate Level 2 investments £3,410m.
- Page 23 reclassification of cash in the current and prior period.
- And; Page 26 Note 3 - Contributions

1.7 Page 10 significant judgement or estimate Level 2 investments £3,410m - the Buckinghamshire Pension Fund has investments in a range of bonds, pooled investment vehicles and property unit trusts that in total are valued in the net assets statement as at 31<sup>st</sup> March 2021 at £3,410m. Grant Thornton's testing identified an overstatement of £2.21m in the value of the Brunel Smaller Companies fund as a result of differences in the share price used by Buckinghamshire Pension Fund and the share price recorded on FT.com. Grant Thornton estimated the potential error in the untested residual population as an overstatement of £6.72m, giving a total overstatement of £8.939m which has been recorded as an unadjusted error. Although a large monetary amount, the £8.939m represents 0.25% of the Buckinghamshire Pension Fund net asset value and management propose not adjusting the Statement of Accounts since the amount is not material. The Audit and Governance Committee is asked to approve management's proposed treatment of not adjusting the Statement of Accounts to reflect the £8.939m overstatement.

1.8 Page 23 reclassification of cash in the current and prior period – in note 12, pages 22, 24 and 25 of the Buckinghamshire Pension Fund Statement of Accounts the Fund was erroneously classifying cash held in money market funds as a financial asset at amortised cost.

1.9 Page 26 Note 3 – Contributions – a footnote was added to explain the increase in employee contributions to note 3, page 13 of the Buckinghamshire Pension Fund Statement of Accounts.

### **Other options considered**

1.10 Not applicable.

### **Legal and financial implications**

1.11 There are none arising directly from this report.

## **Corporate implications**

1.12 Not applicable.

## **Consultation and communication**

1.13 Not applicable.

## **Background Papers**

1.14 Not applicable.

# Buckinghamshire Pension Fund

## Statement of Accounts

For the year ended 31 March 2021

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## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts, delegated to the Audit and Governance Committee.

### The Service Director of Finance Responsibilities

The Service Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (the Code).

In preparing this Statement of Accounts, the Service Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of the Service Director of Finance

I certify that this Statement of Accounts for the year ended 31 March 2021 gives a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ending 31 March 2021.

**David Skinner**  
**Service Director of Finance**  
**Buckinghamshire Council**

**Insert date**

# Independent Auditor's Report to the Members of Buckinghamshire Pension Fund



## Buckinghamshire Pension Fund Accounts

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

<b>31 March 2020</b>	<b>Buckinghamshire Pension Fund Account</b>	<b>Note</b>	<b>31 March 2021</b>
<b>£000</b>			<b>£000</b>
	<b>Dealings with Members, Employers and Others directly Involved in the Fund</b>		
	<b>Income</b>		
(116,621)	Contributions	3	(152,299)
(12,403)	Transfers in from other pension funds	4	(24,293)
(152)	Other income		(198)
<b>(129,176)</b>			<b>(176,790)</b>
	<b>Benefits</b>	5	
95,975	Pensions		100,311
23,045	Commutation of pensions and lump sums		20,969
	<b>Payments to and on Account of Leavers</b>	6	
878	Refunds of contributions		590
9,311	Transfers out to other pension funds		18,369
<b>129,209</b>			<b>140,239</b>
<b>33</b>	<b>Net (Additions)/Withdrawals from Dealings with Members</b>		<b>(36,551)</b>
	<b>Management expenses</b>	7	
<b>16,474</b>			<b>18,371</b>
<b>16,507</b>	<b>Net (Additions)/Withdrawals including Fund Management Expenses</b>		<b>(18,180)</b>
	<b>Returns on Investments</b>		
(40,527)	Investment income	8	(23,079)
116,993	Profits and losses on disposal of investments and changes in the market value of investments	9	(683,306)
351	Taxes on income	16	0
<b>76,817</b>	<b>Net Returns on Investments</b>		<b>(706,385)</b>
<b>93,324</b>	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>(724,565)</b>

## Net assets statement

31 March 2020 £000	Net Assets Statement	Note	31 March 2021 £000
	<b>Investments</b>		
840	Long term investments	9	840
36,849	Equities - quoted	9	25,638
421,714	Bonds	9	480,116
2,160,297	Pooled investment vehicles	9	2,858,278
213,484	Property - unit trusts	9	213,051
61,856	Cash deposits	9	43,662
	Derivative contracts	9	0
7,873	Investment income receivable	9	7,124
<b>2,902,913</b>	<b>Net Investments</b>	11	<b>3,628,709</b>
<b>15,495</b>	Current assets	15	<b>17,620</b>
<b>(4,708)</b>	Current liabilities	15	<b>(8,064)</b>
<b>2,913,700</b>	<b>Net Assets of the Fund Available to Fund Benefits at 31 March</b>		<b>3,638,265</b>

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

## Note 1 - Description of the Fund

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

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

### [Local Government Pension Scheme | Buckinghamshire Council](#)

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

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

In 2015 the Government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Brunel Pension Partnership Ltd was formed to implement the investment strategies for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The company Brunel Pension Partnership Ltd was formed on 14 October 2016. By 31 March 2021 the collective assets transitioned to Brunel portfolios were circa £17.9 billion.

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

[www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

The following summarises the membership of the Fund:

<b>Membership of the Fund</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
Contributors	24,489	25,406
Pensioners	20,290	21,017
Deferred pensioners	29,936	30,881
<b>Total Membership of the Fund</b>	<b>74,715</b>	<b>77,304</b>

### Investment strategy statement

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

[Funding and investment policies | Pensions \(buckinghamshire.gov.uk\)](#)

### Further information

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

[The Pension Fund Annual report | Pensions \(buckinghamshire.gov.uk\)](#)

### Basis of Preparation

The accounts summarise the Fund’s transactions for the 2020/21 financial year and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

disclosed at Note 18 of these accounts. The Buckinghamshire Pension Fund is administered by Buckinghamshire Council.

## **Note 2 - Accounting Policies and Critical Judgement in Applying Accounting Policies**

### **Accounting Policies**

#### **Accruals of Income and Expenditure**

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

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

#### **Contribution Income**

Normal contributions are accounted for on an accruals basis as follows:

Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. As set out in the Fund Actuary's Rates and Adjustment certificate, certain employers can pay the primary and/or secondary contributions for the 3 years of the valuation period.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date

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

#### **Investment Income**

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial

carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Investment income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as investment income. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

**Benefits Payable**

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

**Management Expenses**

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

**Financial Instruments**

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

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

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

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

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

**Foreign Currency Transactions**

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

**Cash and Cash Equivalents**

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

**Contingent Assets & Liabilities and Commitments**

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

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

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

**Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the code, the fund has opted to disclose the actuarial present value or promised retirement benefits by way of a note to the net assets statement (Note 18)

**Critical Judgements in Applying Accounting Policies**

There are no critical judgements in applying accounting policies to be disclosed in the Statement of Accounts.

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

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

The items in the Net Assets Statement at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance:  A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £129m.  A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £10m a one-year increase in assumed life expectancy would increase the liability by approximately £256m.
Level 2 investments (Note 12)	Level 2 investments are financial instruments where quoted market prices are not available. The values of the hedge fund of funds are based on the net asset value provided by the fund manager. Assurance over the valuation is gained from the independent audit of the value and may differ from the value provided by the fund manager.	Hedge fund of fund investments are valued at £171.071m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £18.305m, a movement of 10.7% in market price risk is reasonably possible.
Level 3 investments (Note 12)	Level 3 investments are valued at fair value in accordance with 'International Private Equity and Venture Capital Valuation Guidelines'. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments are valued at £167.467m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £39.022m. A movement of 23.3% in market price risk is reasonably possible.

### Events After the Reporting Date

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that required any adjustments to these accounts. The War in Ukraine and recent market turmoil has impacted global financial markets. As at the end of March 2023, investments are valued overall at £3.720 billion a higher value than in these financial statements as at 31 March 2021.



**Accounting Standards that have been issued but not yet adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Potentially relevant standards include annual improvements to IFRS standards 2014/2016, IFRIC 22 foreign currency transactions and advance considerations and amendments to IFRS9 financial instruments: prepayment features with negative compensation.

None of the accounting standards that have been issued but not yet adopted will have a significant impact on the financial statements.

**Note 3 - Contributions**

Contributions relating to wages and salaries paid up to 31 March 2021 have been included in these accounts, there were no augmented employers' contributions received during 2019/2020 or 2020/2021.

2019/2020 £000	Contributions by Category	2020/2021 £000
	<b>Employers' Contributions</b>	
(64,063)	Normal Contributions	(100,383)
(20,524)	Deficit Recovery Contributions	(17,121)
<b>(84,587)</b>	<b>Total Employers' Contributions</b>	<b>(117,504)</b>
<b>(32,034)</b>	<b>Members' Contributions</b>	<b>(34,795)</b>
<b>(116,621)</b>	<b>Total Contributions</b>	<b>(152,299)</b>

2019/2020 £000	Contributions by Authority	2020/2021 £000
(42,780)	Administering authority	(56,847)
(69,752)	Scheduled bodies	(91,855)
(4,089)	Admitted bodies	(3,597)
<b>(116,621)</b>	<b>*Total Contributions</b>	<b>(152,299)</b>

\*Total contributions can fluctuate between years due to employers making advanced payments due to the slight discount they receive in doing so.

## Note 4 - Transfer Values

2019/2020 £000	Transfers in from other pension funds	2020/2021 £000
(2,059)	Group transfers	(1,898)
(10,344)	Individual transfers	(22,395)
<b>(12,403)</b>	<b>Total Transfers in from other pension funds</b>	<b>(24,293)</b>

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2021 there were six outstanding transfer values receivable greater than £50k, for which £763k had not been received. (On 31 March 2020 there were seven outstanding transfer values receivable greater than £50k, for which £1,211k had not been received).

On 31 March 2021 there were two group transfers to the Fund being negotiated with other funds (three on the 31 March 2020), the value of one of the transfers to the Fund is £1,095k and has been accrued. Calculations have not yet been carried out for one of the transfers.

The above refer to payments into the Fund from other pension funds.

## Note 5 - Benefits

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

2019/2020 £000	Benefits Payable by Category	2020/2021 £000
95,975	Pensions	100,311
20,532	Commutations of pensions and lump sum retirement benefits	18,220
2,513	Lump sum death benefits	2,749
<b>119,020</b>	<b>Total Benefits</b>	<b>121,280</b>

2019/2020 £000	Benefits Payable by Authority	2020/2021 £000
41,916	Administering authority	61,253
67,587	Scheduled bodies	50,560
9,517	Admitted bodies	9,467
<b>119,020</b>	<b>Total Benefits</b>	<b>121,280</b>

## Note 6 - Payments to and on Account of Leavers

2019/2020 £000	Payments to and on Account of Leavers	2020/2021 £000
903	Refunds to members leaving service	597
(24)	Payments for members joining the state scheme	(7)
0	Group transfers to other pension funds	5,379
9,311	Individual transfers to other pension funds	12,990
<b>10,190</b>	<b>Total Payments to and on Account of Leavers</b>	<b>18,959</b>

The individual transfer value to other Pension Funds relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2021 there was one outstanding transfer value that was greater than £50k, for which £78k had not yet been paid (on 31 March 2020 there were seven outstanding transfer values receivable greater than £50k, for which £1,211k had not been received).

On 31 March 2021 there were four group transfers out from the Fund to other Pension Funds being negotiated (three on the 31 March 2020), the value of three of the transfers to the Fund is £5,379k and has been accrued. Calculations have not yet been carried out for one of the transfers.

The above refer to payments from the Fund into other pension funds.

## Note 7 - Management Expenses

2019/2020 £000	Management Expenses	2020/2021 £000
2,203	Administrative costs	2,226
13,538	Investment management expenses	15,507
733	Oversight and governance costs	638
<b>16,474</b>	<b>Total Management Expenses</b>	<b>18,371</b>

The analysis of the cost of managing the Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight/governance costs. Included in the oversight and governance costs are £38k for the external audit main fee and £7k for the IAS19 assurance letters for scheduled bodies. In 2019/20 the external audit main fee was £19.275k.

Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £0.28m (£0.89m in the 2019/2020 financial year) in respect of performance related fees payable to the Fund's investment managers. It also includes £4.734m in respect of transaction costs (£4.030m in the 2019/2020 financial year).

## Note 8 - Investment Income

Investment income from equities has significantly decreased in 2020/21 following the transition of the Fund's segregated equity holdings to Brunel pooled funds, dividend income is accumulated within the fund and is accounted for in the market value change rather than investment income.

<b>2019/2020</b>	<b>Investment Income</b>	<b>2020/2021</b>
<b>£000</b>		<b>£000</b>
(15,072)	Dividends from equities	(1,258)
(16,137)	Income from bonds	(14,242)
(541)	Income from pooled investments	(536)
(7,262)	Income from property unit trusts	(5,549)
(770)	Interest on cash deposits	(1,352)
(744)	Other	(142)
<b>(40,527)</b>	<b>Total Investment Income</b>	<b>(23,079)</b>

## Note 9 - Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by State Street, the Fund's custodian.

During 2020/2021 realised profit of £103,918m and unrealised profit of £579,388m combined to report an increase in the market value of investments of £683,306m.

<b>Investments (All values are shown £000)</b>	<b>Value at 31 March 2020 £000</b>	<b>Purchases at Cost £000</b>	<b>Sales Proceeds £000</b>	<b>Realised Profit/ (Loss) £000</b>	<b>Unrealised Profit/ (Loss) £000</b>	<b>Value at 31 March 2021 £000</b>
Long term investments	840	0	0	0	0	840
Equities - quoted	36,850	158,309	(179,156)	5,535	4,100	25,638
Bonds	421,713	132,353	(94,973)	5,942	15,081	480,116
Pooled investment vehicles	2,160,298	265,473	(223,254)	63,999	591,762	2,858,278
Property - unit trusts	213,484	5,880	(3,200)	27,014	(30,127)	213,051
Derivative contracts	0	1,035	(2,459)	1,424	0	0
Cash deposits	61,855	0	(16,916)	150	(1,428)	43,662
	<b>2,895,040</b>	<b>563,195</b>	<b>(519,958)</b>	<b>103,918</b>	<b>579,388</b>	<b>3,621,585</b>
Investment income due	7,873					7,124
	<b>2,902,913</b>					<b>3,628,709</b>

During 2019/2020 realised profit of £87,619m and unrealised losses of £204,613m combined to report a decrease in the market value of investments of £116,993m.

<b>Investments (All values are shown £000)</b>	<b>Value at 31 March 2019 £000</b>	<b>Purchases at Cost £000</b>	<b>Sales Proceeds £000</b>	<b>Realised Profit/ (Loss) £000</b>	<b>Unrealised Profit/ (Loss) £000</b>	<b>Value at 31 March 2020 £000</b>
Long term investments	840	0	0	0	0	840
Equities - quoted	573,933	347,507	(870,319)	22,920	(37,191)	36,850
Bonds	428,687	110,978	(110,343)	4,595	(12,204)	421,713
Pooled investment vehicles	1,690,849	737,308	(170,102)	58,630	(156,387)	2,160,298
Property - unit trusts	214,243	11,057	(6,381)	1,424	(6,859)	213,484
Derivative contracts	(34)	326	(376)	50	34	0
Cash deposits	80,693	0	(26,833)		7,995	61,855
	<b>2,989,211</b>	<b>1,207,176</b>	<b>1,184,354</b>	<b>87,619</b>	<b>(204,613)</b>	<b>2,895,040</b>
Investment income due	10,489					7,873
	<b>2,999,700</b>					<b>2,902,913</b>

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

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

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

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

Assets which exceed 5% of the total value of the net assets of the Fund are shown in the table below:

Fund Manager/Mandate	Proportion of Fund 31 March 2020 £000	%	Proportion of Fund 31 March 2021 £000	%
<b>Investments managed by Brunel Pension Partnership Ltd</b>				
Passive Global Developed Equities	725,922	25	841,815	23
Global High Alpha Equities	401,912	14	602,912	17
Property – unit trusts	-	-	222,602	6
Emerging Market Equities	123,402	4	197,734	6
	<b>1,251,236</b>	<b>43</b>	<b>1,865,063</b>	<b>52</b>
<b>Investments managed by the Fund</b>				
Legal & General Investment Management - Passive index-tracker	362,721	12	377,516	11
Royal London Asset Management	469,468	16	511,010	14
	<b>832,189</b>	<b>28</b>	<b>888,526</b>	<b>25</b>

## Note 10 - Investment Management Arrangements

The following table summarises the proportion of the Fund managed by Brunel Pension Partnership Limited and the Fund:

Fund Manager/Mandate	Proportion of Fund 31 March 2020 £000	%	Proportion of Fund 31 March 2021 £000	%
<b>Investments managed by Brunel Pension Partnership Ltd</b>				
Low Volatility Equities	110,593	4	159,691	4
Passive Developed Equities	725,922	25	841,815	23
Emerging Markets Equities	123,402	4	197,734	6
Global Equities	401,912	14	602,912	17
Infrastructure	11,451	0	43,783	1
Private Equity	14,105	1	22,444	1
Smaller Companies Equities	0	0	180,831	5
Property – unit trusts	0	0	222,602	6
<b>Total Investments managed by Brunel Pension Partnership Ltd</b>	<b>1,387,385</b>		<b>2,271,812</b>	
<b>Investments managed by the Fund</b>				
LaSalle – Property unit trusts	222,898	8	1,114	0
BlackRock -Cash/inflation plus	135,425	5	160,110	4
Blackstone Alternative Asset Management - Hedge fund of funds	146,881	5	171,071	5
Investec Asset Management- Less constrained global equities	1,122	0	777	0

Legal & General Investment Management – Passive index-tracker	362,721	12	377,516	11
Mirabaud Investment Management Limited-UK equities	217	0	217	0
Pantheon Private Equity- Private equity	106,965	4	93,728	3
Partners Group- Private equity	21,042	1	13,177	0
Royal London Asset Management- Core plus bonds	469,468	16	511,010	14
Schroders- Less constrained global equities	3,180	0	2305	0
Aberdeen Standard Investments – Less constrained UK equities	964	0	134	0
GTP	908	0	698	0
Hg Capital	600	0	581	0
<b>Total Investments managed by the Fund</b>	<b>1,472,391</b>		<b>1,332,438</b>	
<b>Total</b>	<b>2,859,776</b>	<b>100</b>	<b>3,604,250</b>	<b>100</b>

<b>Reconciliation to Net Investments in the 31 March 2021 Net Assets Statement</b>	£000
Net investments	3,628,709
Less cash	(23,621)
Less long term investments	(840)
Add rounding error	2
Investment management arrangements	3,604,250

## Note 11 - Analysis of the Value of Investments

31 March 2020 £000	Analysis of the Value of Investments	31 March 2021 £000
<b>840</b>	<b>Long Term Investments</b>	<b>840</b>
	<b>Bonds</b>	
	<b>Fixed Interest Securities</b>	
0	Overseas public sector	5,992
286,003	UK other	307,521
73,474	Overseas other	73,455
<b>359,477</b>	<b>Total Fixed Interest Securities</b>	<b>386,968</b>
	<b>Index-Linked Gilts</b>	
51,806	UK Index-linked gilts public sector	85,851
10,431	UK Index-linked gilts other	7,297
<b>62,237</b>	<b>Total Index-Linked Gilts</b>	<b>93,148</b>
<b>421,714</b>	<b>Total Bonds</b>	<b>480,116</b>



	<b>Equities</b>	
129	UK quoted	150
36,720	Overseas quoted	25,488
<b>36,849</b>	<b>Total Equities</b>	<b>25,638</b>
	<b>Pooled Investment Vehicles</b>	
0	UK Equities	0
362,721	UK Bonds	377,516
1,361,829	Overseas Equities	1,982,983
135,421	Overseas Diversified Growth Fund (GBP)	160,106
146,881	Overseas Hedge Fund of Funds (GBP)	171,071
22,828	Overseas Infrastructure	44,837
130,617	Overseas Private Equities	121,765
<b>2,160,297</b>	<b>Total Pooled Investment vehicles</b>	<b>2,858,278</b>
	<b>Other</b>	
213,484	Property - unit trusts	213,051
0	Derivatives	0
61,856	Cash deposits – sterling and foreign cash	43,662
7,873	Investment Income receivable	7,124
<b>283,213</b>	<b>Total Other</b>	<b>263,837</b>
<b>2,902,913</b>	<b>Total Value of Investments</b>	<b>3,628,709</b>

## Note 12 - Financial Instruments

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

31 March 2020				31 March 2021		
Fair value through profit and loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Financial Assets	Fair value through profit and loss	Financial Assets at Amortised Cost	Financial Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
<b>840</b>			<b>Long Term Investments</b>	<b>840</b>		
359,477			Fixed Interest Securities	386,968		
36,849			Equities	25,638		

62,237			Index Linked Gilts	93,149		
213,484			Property – unit trusts	213,051		
135,421			Diversified Growth Fund	160,106		
			<b>Pooled investments:</b>			
362,721			Bonds	377,516		
1,361,829			Equities	1,982,983		
22,828			Infrastructure	44,837		
146,881			Hedge Fund of Funds	171,071		
130,618			Private Equity	121,765		
7,873			Investment Income receivable	7,124		
27,532*	34,324*		Cash deposits	29,682	13,980	
	5,182		Current assets		4,814	
<b>2,868,590*</b>	<b>39,506*</b>			<b>3,614,730</b>	<b>18,794</b>	
			<b>Financial Liabilities</b>			
			Derivatives			
		(3,721)	Current liabilities			(6,920)
		<b>(3,721)</b>				<b>(6,920)</b>
<b>2,868,590*</b>	<b>39,506*</b>	<b>(3,721)</b>	<b>Total</b>	<b>3,614,730</b>	<b>18,794</b>	<b>(6,920)</b>
		<b>2,904,373</b>				<b>3,626,604</b>

\*Restated. The Fund was erroneously classifying cash with custodian held in money market funds as financial asset at amortised cost. The nature of money market funds is such that they generally fall within the fair value through profit or loss category. To rectify this prior period error, cash with the custodian held in money market funds has now been classified at fair value through profit or loss while the remaining cash deposits are correctly classified at amortised cost. The rectification of this prior period error will not have any impact on the Fund's Net Asset Statement as the valuation of cash with custodian held in money market funds was based on the net asset values at year end which is appropriate for money market funds.

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

31 March 2020 £000	Reconciliation to Net Assets of the Fund Available to Fund Benefits at 31 March in the Net Assets Statement	31 March 2021 £000
2,913,700	Net Investments	3,638,265
(10,313)	Less contributions due current assets	(12,805)
986	Add HMRC current liabilities	1,144
2,904,373	<b>Valuation of Financial Instruments</b>	3,626,604

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

31 March 2020 £000		31 March 2021 £000
	<b>Financial Assets</b>	
116,993	Fair value through profit and loss	(683,306)
0	Amortised cost – realised gains on derecognition of assets	0
0	Amortised cost – unrealised gains	0
	<b>Financial Liabilities</b>	
0	Fair value through profit and loss	0
0	Amortised cost – realised gains on derecognition of assets	0
0	Amortised cost – unrealised gains	0
<b>116,993</b>	<b>Total</b>	<b>(683,306)</b>

### Valuation of Financial Instruments Carried at Fair Value

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

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

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

value provided by the Fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

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

<b>Value at 31 March 2021</b>	<b>Quoted Market Price Level 1 £000</b>	<b>Using Observable Inputs Level 2 £000</b>	<b>With Significant Unobservable Outputs Level 3 £000</b>	<b>Total £000</b>
Long term investments	0	0	840	840
Equities	326	25,315	0	25,641
Fixed interest securities	0	386,968	0	386,968
Index-linked gilts	0	93,148	0	93,148
Equities	0	1,982,983	0	1,982,983
Bonds	0	377,516	0	377,516
Diversified Growth Fund	0	160,106	0	160,106
Hedge fund of funds	0	171,071	0	171,071
Infrastructure	0	0	44,837	44,837
Private Equity	0	0	121,762	121,762
Property – unit trusts	0	213,026	25	213,051
<b>Cash Instruments</b>	<b>0</b>	<b>29,682</b>	<b>0</b>	<b>29,682</b>
<b>Total</b>	<b>326</b>	<b>3,439,815</b>	<b>167,464</b>	<b>3,607,606</b>

Cash deposits in money market fund have been included in the above analysis as they are held at fair value through profit or loss. Remaining cash deposits are held at amortised cost and therefore excluded from the analysis.

<b>Reconciliation to Net Investments in the 31 March 2021 Net Assets Statement</b>	<b>£000</b>
Net investments	3,628,709
Less Cash deposits	(13,980)

Less investment income receivable	(7,124)
Add rounding error	1
Valuation of Financial Instruments carried at fair value	3,607,606

Value at 31 March 2020	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Outputs Level 3 £000	Total £000
Long term investments	0	0	840	840
Equities	129	36,720	0	36,849
Fixed interest securities	0	359,477	0	359,477
Index linked gilts	0	62,237	0	62,237
Diversified Growth Fund	0	135,421	0	135,421
Hedge fund of funds	0	146,881	0	146,881
Infrastructure	0	0	22,828	22,828
Bonds	0	362,721	0	362,721
Equities	0	1,361,829	0	1,361,829
Private Equities	0	0	130,618	130,618
Property – unit trusts	0	213,484	0	213,484
Cash Instruments*	0	27,532*	0	27,532*
<b>Total</b>	<b>129</b>	<b>2,706,302*</b>	<b>154,286</b>	<b>2,860,717*</b>

\* Restated

Reconciliation to Net Investments in the 31 March 2020 Net Assets Statement	£000
Net investments	2,902,913
Less Cash deposits	(34,324)*
Less investment income receivable	(7,873)
<b>Valuation of Financial Instruments carried at fair value</b>	<b>2,860,717*</b>

\* Restated

### Sensitivity Analysis of Assets Valued at Level 3

Using Mercer’s analysis of market volatility for individual asset classes in the last 20 years and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2021 and 31 March 2020.

	Assessed valuation range (+/-)	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Infrastructure	16.6%	44,837	52,280	37,394
Private equity	25.8%	121,765	153,180	90,350

<b>Total</b>		<b>166,602</b>	<b>205,460</b>	<b>127,744</b>
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	<b>Assessed valuation range (+/-)</b>	<b>Value at 31 March 2020 £000</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
Infrastructure	16.4%	22,828	26,572	19,084
Private equity	26.4%	130,617	165,100	96,134
<b>Total</b>		<b>153,445</b>	<b>191,672</b>	<b>115,218</b>

**Reconciliation of Fair Value Measurements Within Level 3**

	<b>Value at 31 March 2020 £000</b>	<b>Purchases £000</b>	<b>Sales £000</b>	<b>Realised profit/(loss) £000</b>	<b>Unrealised profit/loss £000</b>	<b>Value at 31 March 2021 £000</b>
Private equity	130,617	9,960	(28,234)	23,516	(14,094)	121,765
Infrastructure	22,828	49,499	(25,642)	103	(1,951)	44,837
<b>Total</b>	<b>153,445</b>	<b>59,459</b>	<b>(53,876)</b>	<b>23,619</b>	<b>(16,045)</b>	<b>166,602</b>

	<b>Value at 31 March 2019 £000</b>	<b>Purchases £000</b>	<b>Sales £000</b>	<b>Realised profit/(loss) £000</b>	<b>Unrealised profit/(loss) £000</b>	<b>Value at 31 March 2020 £000</b>
Private equity	135,939	15,974	(35,441)	28,443	(14,297)	130,617
infrastructure	15,853	8,861	(2,974)	1,116	(27)	22,828
<b>Total</b>	<b>151,792</b>	<b>24,834</b>	<b>(38,415)</b>	<b>29,559</b>	<b>(14,324)</b>	<b>153,445</b>

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

**Royal London Asset Management – equities £25.315m, fixed interest securities £386.968m and index-linked gilts £93.149m – Level 2 – Total - £505.432m**

A segregated mandate managed by Royal London Asset Management, the valuation pricing is based on closing bid prices.

**Brunel – Passive Global Developed Equity £841.815m, Active Global High Alpha Equity £602.912m, Active Global Emerging Markets Equity £197.734m, Active Low Volatility Equity £159.691m and Active Smaller Companies Equity £180.831m ACS Funds – Level 2 – Total £1,982.983m**

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

**Active equities** - Weekly prices each Wednesday valued at close of business valuation point. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates “bid price”).

**Pooled bonds - LGIM – Passive Tracker Fund – Level 2 £377.516m**

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

**Diversified Growth Fund - BlackRock Institutional Jersey Dynamic Diversified Growth Fund – Level 2 £160.106m**

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

**Blackstone – Hedge Fund of Funds – Level 2 £171.071m**

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

**Infrastructure – Level 3 - Brunel (£39.251m) and Partners Group (£5.586m) – Total £44.837m**

**Brunel** - Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounts Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by third parties for appropriateness.

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

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

**Private Equity – Level 3 – Brunel (£20.444m), Pantheon (£93.729m) and Partners Group (£5.586m) – Total - £121.765m**

### **Brunel – Private Equity – Level 3**

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounts Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by third parties for appropriateness.

### **Pantheon – Private Equity – Level 3**

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

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

These methods are consistently applied across all investment types.

### **Partners Group – Private Equity – Level 3**



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

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

**Brunel - Property unit trusts – Level 2 £213.051m and Level 3 £25k**

Brunel selects managers who apply either open market values or a fair value processes, open market values are in accordance with RICS valuation standards and fair value processes are driven by IPEV guidelines. Systematically Brunel ensure that both processes are annually appraised by third parties for appropriateness.

## Note 13 - Additional Financial Risk Management Disclosures

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

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

### Market Risk

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

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

### Market Price Risk

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

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

### Market Price - Sensitivity Analysis

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. In consultation with Mercer, the Fund's investment consultant, the Fund has determined that the following movements in market price risk are reasonably possible for 2020/2021. Assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments does

increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows;

Asset Type	31 March 2021 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	19.1%	1,000	680
Equities – quoted	25,638	19.1%	30,535	20,741
Bonds	480,116	4.94%	503,836	456,398
Pooled investment vehicles	2,858,278	16.49%	3,329,608	2,386,948
Property - unit trusts	213,051	16.6%	248,417	177,685
Cash deposits	43,662	1.0%	44,100	43,226
Investment income receivable	7,124	19.1%	8,485	5,763
<b>Total</b>	<b>3,628,709</b>		<b>4,165,978</b>	<b>3,091,440</b>

In consultation with Mercer, the Fund’s investment consultant, the Fund determined that the following movements in market price risk were reasonably possible for 2019/2020, assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund’s investments did increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows;

Asset Type	31 March 2020 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	20.6	1,013	667
Equities – quoted	36,849	20.6	44,440	29,258
Bonds	421,714	4.84	442,117	401,311
Pooled investment vehicles	2,160,297	16.93	2,526,137	1,794,457
Property - unit trusts	213,484	15.6	246,788	180,180
Derivative contracts	0	12.2	0	0
Cash deposits	61,856	1.0	62,475	61,237
Investment income receivable	7,873	20.6	9,495	6,251
<b>Total</b>	<b>2,902,913</b>		<b>3,332,465</b>	<b>2,473,361</b>

**Interest Rate Risk**

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

**Interest Rate – Sensitivity Analysis**

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

<b>31 March 2021 Exposure to interest rate risk</b>	<b>Asset Value £000</b>	<b>Value after impact of 1% increase in interest rates £000</b>	<b>Value after impact of 1% decrease in interest rates £000</b>
Cash and cash equivalents	46,548	46,548	46,548
Fixed interest bonds	386,968	390,838	383,098
Variable rate bonds	93,149	93,149	93,149
<b>Total</b>	<b>526,665</b>	<b>530,535</b>	<b>522,795</b>

<b>31 March 2020 Exposure to interest rate risk</b>	<b>Asset Value £000</b>	<b>Value after impact of 1% increase in interest rates £000</b>	<b>Value after impact of 1% decrease in interest rates £000</b>
Cash and cash equivalents	64,862	64,862	64,862
Fixed interest bonds	359,477	363,072	355,882
Variable rate bonds	62,237	62,237	62,237
<b>Total</b>	<b>486,576</b>	<b>490,171</b>	<b>482,981</b>

<b>2020/2021 Exposure to interest rate risk</b>	<b>Interest receivable £000</b>	<b>Impact of 1% increase £000</b>	<b>Impact of 1% decrease £000</b>
Cash and cash equivalents	1,352	1,366	1,338
Fixed interest bonds	8,676	8,763	8,589
Variable rate bonds	5,566	5,622	5,510
<b>Total</b>	<b>15,594</b>	<b>15,751</b>	<b>15,437</b>

2019/2020 Exposure to interest rate risk	Interest receivable £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	770	778	762
Fixed interest bonds	9,830	9,928	9,732
Variable rate bonds	6,307	6,370	6,244
<b>Total</b>	<b>16,907</b>	<b>17,076</b>	<b>16,738</b>

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

### Currency Risk

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

### Currency Risk – Sensitivity Analysis

The sensitivity of the Fund’s investments to changes in foreign currency rates have been analysed using a 7.92% movement in exchange rates in either direction for 31 March 2021. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund’s currency exposure a 7.92% fluctuation in the currency is considered reasonable. A 7.92% weakening or strengthening of Sterling against the various currencies at 31 March 2021 would have increased or decreased the net assets by the amount shown below;

Currency Exposure by Asset Type	31 March 2021 £000	Value on increase £000	Value on decrease £000
		<b>+7.92%</b>	<b>-7.92%</b>
Equities – quoted	1,879,785	2,028,664	1,730,906
Infrastructure	19,526	21,072	17,980
Overseas private equity	121,765	131,409	112,121
Property – unit trusts	23	25	21
Cash deposits	24,604	26,553	22,655
<b>Total</b>	<b>2,045,703</b>	<b>2,207,723</b>	<b>1,883,683</b>

The sensitivity of the Fund’s investments to changes in foreign currency rates have been analysed using a 7.64% movement in exchange rates in either direction for 31 March 2020. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund’s currency exposure a 7.64% fluctuation in the currency is considered reasonable. A 7.64% weakening or

strengthening of Sterling against the various currencies at 31 March 2020 would have increased or decreased the net assets by the amount shown below;

<b>Currency Exposure by Asset Type</b>	<b>31 March 2020 £000</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
		<b>+7.64%</b>	<b>-7.64%</b>
Equities – quoted	1,276,253	1,373,759	1,178,747
Infrastructure	19,227	20,696	17,758
Pooled investment vehicles	130,617	140,596	120,638
Property - unit trusts	29	31	27
Cash deposits	43,923	47,279	40,567
<b>Total</b>	<b>1,470,049</b>	<b>1,582,361</b>	<b>1,357,737</b>

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

#### Currency Exposure by Significant Currency

The Fund’s most significant currency exposures are to US Dollars and EUROS, using data on currency risk of 8.03% for the US Dollar and 6.77% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2021 would have increased or decreased the net assets by the amounts shown in the following table;

<b>Asset Type</b>	<b>31 March 2021 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
US Dollars	1,218,209	8.03%	1,316,031	1,120,386
EUROS	244,333	6.77%	260,875	227,792
Japanese Yen	136,427	8.64%	148,214	124,639
<b>Total</b>	<b>1,598,968</b>		<b>1,725,120</b>	<b>1,472,817</b>

Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2020 would have increased or decreased the net assets by the amounts shown in the following table;

<b>Asset Type</b>	<b>31 March 2020 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
US Dollars	869,526	7.73	936,740	802,312
EUROS	196,309	6.72	209,501	183,117
<b>Total</b>	<b>1,065,835</b>		<b>1,146,241</b>	<b>985,429</b>

## Credit Risk

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

A source of credit risk is the cash balances held internally or by managers. The Fund's bank account is held at Lloyds, which holds an "A+" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2021 was £0.976m in an instant access Lloyds account and £2.000m invested in Federated's money market fund. (On 31 March 2020 £1.109m was invested in an instant access Lloyds account and £2.000m invested in Federated's money market fund.) Cash held by investment managers is invested with the global custodian, State Street, in a diversified money market fund rated AAAM.

## Liquidity Risk

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

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

<b>31 March 2020</b> <b>£000</b>		<b>31 March 2021</b> <b>£000</b>
146,881	Blackstone hedge fund of funds	171,071
11,451	Brunel infrastructure	43,783
14,105	Brunel private equity	22,444
0	Brunel property unit trusts	222,602
222,898	LaSalle property unit trusts	0
106,965	Pantheon private equity	93,728
21,042	Partners Group private markets	13,177
600	Hg Capital	581
<b>523,942</b>		<b>567,386</b>

## Note 14 - Related Parties

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

Buckinghamshire Council was reimbursed £2.49m (£2.35m in the 2019/2020 year) for oversight & governance costs and administration costs incurred by the Council on behalf of the Fund.

Buckinghamshire Council is also the single largest employer of members of the Fund and contributed £56.8m to the Fund in 2020/2021 (£47.2m in the 2019/2020 year).

The Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by Buckinghamshire Council's treasury management team, through a service level agreement. During the year to 31 March 2021, the Fund had an average investment balance of £5.9m (£8.1m in the 2019/2020 year), earning interest of £11k (£53k in the 2019/2020 year).

Membership of the Local Government Pension Scheme (LGPS) for Councillors closed to new members on 31 March 2014. Councillors who were active members ceased to be a member at the next end of term of office. There are no members of the Buckinghamshire Pension Fund Committee who are a deferred member of the Fund. There are no members of the Buckinghamshire Pension Fund Committee who were pensioner members of the Fund on 31 March 2021 (on 31 March 2020 no pensioner members and one deferred member). The Service Director – Corporate Finance (s151 Officer), holds a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire Council accounts. Members of the Buckinghamshire Pension Fund Committee and the post of Head of Projects and Pensions are the key management personnel involved with the Buckinghamshire Pension Fund. £32k was incurred by the Buckinghamshire Pension Fund for costs in relation to key management personnel. Members of the Buckinghamshire Pension Fund Committee are disclosed in the Buckinghamshire Pension Fund Report and Accounts.

The Fund has transactions with Brunel Pension Partnership Ltd (Brunel) (Company number 10429110) which was formed on 14 October 2016 and will oversee the investment of pension fund assets for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. Each of the 10 organisations, including Buckinghamshire Council, own 10% of Brunel. During the year to 31 March 2021 Brunel provided services costing £1,179k (£1,144k in the year to 31 March 2020).



## Note 15 - Current Assets and Liabilities

31 March 2020	Current Assets and Liabilities	31 March 2021
£000		£000
	<b>Current Assets</b>	
10,313	Contributions due from employers 31 March	12,806
3,006	Cash balances (not forming part of the investment assets)	2,885
2,176	Other current assets	1,929
<b>15,495</b>	<b>Total Current Assets</b>	<b>17,620</b>

	Current Liabilities	
(727)	Management charges	(146)
(986)	HM Revenue and Customs	(1,144)
(673)	Unpaid benefits	(440)
(2,322)	Other current liabilities	(6,334)
<b>(4,708)</b>	<b>Total Current Liabilities</b>	<b>(8,064)</b>
<b>10,787</b>	<b>Net Current Assets</b>	<b>9,556</b>

## Note 16 - Taxes on Income

2019/2020	Taxes on Income	2020/2021
£000		£000
0	Withholding tax - fixed interest securities	0
351	Withholding tax - equities	0
<b>351</b>	<b>Total Taxes on Income</b>	<b>0</b>

The Fund retains the following taxation status:

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

## Note 17 - Actuarial Position of the Fund

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022 and results are scheduled to be released by March 2023.

On 31 March 2019, the market value of the assets held were £3,007.020m, sufficient to cover 94% of the accrued liabilities assessed on an ongoing basis. All employers are projected to be fully funded by no later than 31 March 2035. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2020 and is 18.2% of payroll. In addition, each employer pays a secondary contribution rate based on their particular circumstances, the secondary contribution rate across the whole Fund averages 3.9% in 2020/2021, 4.0% in 2021/22 and 4.1% in 2022/23.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 87% to 94% between 31 March 2016 and 31 March 2019. The improvement of the funding position since the previous valuation is mainly due to good investment returns and employer contributions. To produce the future cashflows or liabilities and their present value Barnett-Waddingham formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality, early retirement and staff turnover etc. The Fund's actuary undertook an interim valuation as at 31 March 2021 which showed that the funding level had decreased to 92%. The estimated value of liabilities at 31 March 2021 is estimated by rolling forward the 31 March 2019 valuation membership data.

The main assumptions used in the valuation were:

### Financial assumptions

- Discount rate 4.8%
- Pension increases 2.6%
- CPI inflation 2.6%
- Salary increases 3.6%

## Note 18 - Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the triennial valuation as at 31 March 2019. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2021 is £2,518m (31 March 2020 £1,647m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
4,549,742	Present value of funded obligation	6,146,928
(2,902,913)	Fair value of scheme assets	(3,628,709)
<b>1,646,829</b>	<b>Net Liability</b>	<b>2,518,219</b>

The present value of funded obligation consists of £6,052m (£4,446m at 31 March 2020) in respect of vested obligation and £95m (£104m at 31 March 2020) in respect of non-vested obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

<b>31 March 2020</b>		<b>31 March 2021</b>
2.65%	RPI increases	3.20%
1.85%	CPI increases	2.85%
2.85%	Salary increases	3.85%
1.85%	Pension increases	2.85%
2.35%	Discount rate	2.00%

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's past service liabilities is 22 years. An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that

the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly, to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the previous accounting date. As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.35% below RPI i.e. 2.85%.

Salaries are assumed to increase at 1.0% above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation. The liabilities include an allowance for the Court of Appeal judgement in relation to the McCloud & Sargeant cases which related to age discrimination within the Judicial & Fire Pension schemes respectively.

### Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 95% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% pa. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 March 2020	31 March 2021
<b>Retiring today</b>		
Males	21.8	21.6
Females	25.1	25.0
<b>Retiring in 20 years</b>		
Males	23.2	22.9
Females	26.5	26.4

The actuary also assumed that:

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

## Note 19 - Contingent Liabilities and Contractual Commitments

Outstanding contractual commitments at 31 March 2021 relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts "called" by the funds are irregular in both size and timing over several years from the date of each original commitment. The undrawn amount, the outstanding commitment, for each of these contracts is shown in the table below:

Outstanding Capital Commitments	31 March 2020	31 March 2021
	£000	£000
Brunel Infrastructure Cycle 2	250,000	233,826
Brunel Private Debt Cycle 2	130,000	130,000
Brunel Private Equity Cycle 2	120,000	119,094
Brunel Infrastructure Cycle 1	61,095	51,473
Brunel Private Equity Cycle 1	64,240	55,658
Pantheon Asia Fund V LP	1,587	1,436
Pantheon Asia Fund VI LP	18,506	3,441
Pantheon USA Fund VII Limited	1,168	1,057
Pantheon USA Fund VIII Feeder LP	4,517	4,014
Pantheon Global Secondary Fund IV Feeder LP	4,063	1,481
Partners Group Global Resources 2009, LP	3,435	3,079
Pantheon Europe Fund V "A" LP	854	860
Pantheon Europe Fund VI LP	3,061	3,084
Partners Group Global Real Estate 2008 SICAR	1,781	1,707
Partners Group Global Infrastructure 2009 SICAR	2,806	2,690
	<b>667,114</b>	<b>612,900</b>

On 31 March 2021 there were two group transfers to the Fund being negotiated with other Funds (three on the 31 March 2020), the value of one of the transfers to the Fund is £1,095k and has been accrued. Calculations have not yet been carried out for one of the transfers,

On 31 March 2021 there were four group transfers out from the Fund to other Ffunds being negotiated (three on the 31 March 2020), the value of three of the transfers to the Fund is £5,379k and has been accrued. Calculations have not yet been carried out for one of the transfers.

## Note 20 - Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Scottish Widows. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Scottish Widows invests in a range of funds to suit Scheme members' changing lifestyles. These amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

<b>2019/2020 £000</b>	<b>Prudential</b>	<b>2020/2021 £000</b>
4,740	Value of AVC fund at beginning of year	4,727
622	Employees' contributions and transfers in	751
160	Investment income and change in market value	328
(795)	Benefits paid and transfers out	(800)
<b>4,727</b>	<b>Value of AVC fund at year end</b>	<b>5,006</b>

<b>Restated 2019/2020 £000</b>	<b>Scottish Widows</b>	<b>2020/2021 £000</b>
2,838	Value of AVC fund at beginning of year	2,087
72	Employees' contributions	63
(143)	Investment income and change in market value	292
(680)	Benefits paid and transfers out	(285)
<b>2,087</b>	<b>Value of AVC fund at year end</b>	<b>2,157</b>

## Note 21 - List of Scheduled and Admitted Bodies

### Scheduled Bodies

Buckinghamshire Council  
 Buckinghamshire and Milton Keynes Fire Authority  
 Thames Valley Police  
 Milton Keynes Council  
 Milton Keynes Development Partnership  
 PCC for Thames Valley

Amersham Town Council  
 Aston Clinton Parish Council  
 Aylesbury Town Council  
 Beaconsfield Town Council  
 Bletchley & Fenny Stratford Town Council  
 Bradwell Parish Council  
 Broughton & Milton Keynes Parish Council  
 Buckingham Town Council  
 Burnham Parish Council  
 Campbell Park Parish Council  
 Chalfont St Giles Parish Council  
 Chepping Wycombe Parish Council  
 Chesham Bois Parish Council  
 Chesham Town Council  
 Chiltern Crematorium  
 Chilterns Conservation Board  
 Coldharbour Parish Council  
 Coleshill Parish Council  
 Gerrards Cross Parish Council  
 Great Missenden Parish Council  
 Hambleden Parish Council  
 Hanslope Parish Council  
 Hazlemere Parish Council  
 Hughenden Parish Council  
 Iver Parish Council  
 Ivinghoe Parish Council  
 Kents Hill & Monkston Parish Council  
 Lacey Green Parish Council  
 Lane End Parish Council  
 Little Marlow Parish Council  
 Little Missenden Parish Council  
 Longwick-cum-Ilmer Parish Council  
 Loughton & Great Holm Parish Council  
 Marlow Bottom Parish Council  
 Marlow Town Council  
 Mentmore Parish Council  
 New Bradwell Parish Council

Newport Pagnell Town Council  
 Newton Longville Parish Council  
 Olney Town Council  
 Penn Parish Council  
 Piddington & Wheeler End Parish Council  
 Princes Risborough Town Council  
 Shenley Brook End and Tattenhoe Parish Council  
 Shenley Church End Parish Council  
 Stantonbury Parish Council  
 Stony Stratford Town Council  
 Taplow Parish Council  
 Waddesdon Parish Council  
 Wendover Parish Council  
 West Bletchley Town Council  
 West Wycombe Parish Council  
 Weston Turville Parish Council  
 Winslow Town Council  
 Woburn Sands Town Council  
 Wolverton & Greenleys Town Council  
 Wooburn & Bourne End Parish Council  
 Woughton Community Council

Abbey View Primary School  
 Alfriston School  
 Amersham School  
 Ashbrook School  
 Aspire Schools  
 Aylesbury College  
 Aylesbury Grammar School  
 Aylesbury High School  
 Aylesbury Vale Academy  
 Beaconsfield High School  
 Bearbrook Combined & Pre-school  
 Bedgrove Infant School  
 Bedgrove Junior School  
 Beechview Academy  
 Bourne End Academy  
 Bourton Meadow Academy  
 Bridge Academy  
 Brill CofE Combined School  
 Brookmead School  
 Brooksward School  
 Brushwood Junior School  
 Buckinghamshire New University  
 Buckinghamshire University Technical College

Burnham Grammar School	John Hampden Grammar School
Bushfield School	Jubilee Wood Primary School
Castlefield School	Kents Hill Park School
Chalfonts Community College	Kents Hill School
Chalfont St Peter CE Academy	Khalsa Secondary Academy
Chalfont Valley E-Act Academy	Kingsbridge Education Trust (MAT)
Charles Warren Academy	Knowles Primary School
Chepping View Primary Academy	Lace Hill Academy
Chesham Bois CofE Combined School	Lent Rise Combined School
Chesham Grammar School	Longwick CofE Combined School
Chestnuts Academy	Lord Grey Academy
Chiltern Hills Academy	Loudwater Combined School
Chiltern Way Academy	Loughton School
Christ the Sower Ecumenical Primary School	Middleton Primary School
Cottesloe School	Milton Keynes Academy
Curzon School	Milton Keynes College
Danesfield School	Milton Keynes Education Trust
Denbigh School	Monkston Primary Academy
Denham Green E-Act Academy	Moorland Primary School
Dorney School	New Bradwell School
Dr Challoner's Grammar School	New Chapter Primary School
Dr Challoner's High School	Oakgrove School
Edlesborough School	Olney Infant School
Elmhurst School (Academy)	Olney Middle Academy
Elmtreee Infant and Nursery School	Orchard Academy
EMLC Academy Trust	Ousedale School
Fairfields Primary School	Overstone Combined School
George Grenville Academy	Oxford Diocesan Bucks School Trust (MAT)
Germander Park School	Oxley Park Academy
Gerrards Cross CoE School	Padbury CofE School
Glastonbury Thorn First School	Portfields Combined School
Great Horwood CofE Combined School	Princes Risborough Primary School
Great Kimble CoE School	Princes Risborough School
Great Kingshill CoE Combined School	Rickley Park Primary School
Great Marlow School	Royal Grammar School
Great Missenden CoE Combined School	Royal Latin School
Green Park School	St John's CofE Combined School
Green Ridge Academy	St Mary & St Giles CofE School
Hamilton Academy	St Mary's CofE Combined School
Heronsgate School	St Nicolas' CE Combined School Taplow
Heronshaw School	St Paul's RC School
Holmer Green Senior School	Seer Green CofE School
Holmwood School	Shenley Brook End School
Holne Chase Primary School	Shepherdswell School
Ickford School	Sir Henry Floyd Grammar School
Inspiring Futures Through Learning	Sir Herbert Leon Academy
Ivingswood Academy	Sir Thomas Fremantle Academy
John Colet School	Sir William Borlase's Grammar School



Sir William Ramsay School  
Southwood Middle School  
Stanton School  
Stantonbury Campus  
Stephenson Academy  
The Beaconsfield School  
The Hazeley Academy  
The Highcrest Academy  
The Misbourne School  
The Premier Academy  
The Radcliffe School  
Thomas Harding Junior School  
Two Mile Ash School

Waddesdon CoE School  
Walton High  
Water Hall Primary School  
Waterside Combined School  
Watling Academy  
West Wycombe Combined School  
Whitehouse Primary School  
Wooburn Green Primary Academy  
Woodside Junior School  
Wycombe High School  
Wyvern School

**Admitted Bodies**

Acorn Childcare  
Action for Children Services Ltd  
Alliance in Partnership (BPPS)  
Alliance in Partnership (BPS)  
Alliance in Partnership (TWOMA)  
Ambassador Theatre Group  
Ambient Support  
Ashridge Security Management  
Aspens Services Ltd  
Avalon Cleaning Services (Langland School)  
Birkin Cleaning Services (Shenley Brook End)  
Buckinghamshire Local Enterprise Partnership  
Buckinghamshire Music Trust  
Bucks Association of Local Councils  
Bucks County Museum Trust  
Busy Bee Cleaning Services Ltd (Walton High)  
Busy Bee Cleaning Services Ltd (BC)  
C-SALT (Woughton Leisure Centre)  
Capita (WDC)  
Caterlink Ltd (Chiltern Hills Academy)  
Chartwells Ltd (Oakgrove School)  
Chiltern Rangers CIC  
Cleantec Services Limited (Denham Academy)  
Cleantec Services Limited (MK Academy)  
Cleantec Services Limited (Oakgrove School)  
Cleantec Services Limited (Radcliffe School)  
Cucina Restaurants Ltd (Denhigh School)  
Cucina Restaurants Ltd (Walton High)  
Derwent Facilities Management Ltd  
Everyone Active Ltd  
Excelcare  
Fremantle Trust  
Fujitsu Services Limited

Hayward Services Ltd (John Colet)  
Hightown Housing Association Ltd  
Innovate Ltd  
Kids Play Ltd  
Manpower Direct Ltd  
Mears Group plc  
Mercury Infrastructure Limited  
NSL Services Group  
Oxfordshire Health NHS Foundation Trust  
Paradigm Housing Association  
Places for People Leisure (Newport Pagnell TC)  
Places for People Leisure (WDC)  
Police Superintendents Association Limited  
Red Kite Community Housing Ltd  
Ringway Infrastructure Services  
Ringway Jacobs  
RM Education  
Serco (MKC)  
Serco (MKC Recreation & Maintenance)  
Sports Leisure Management  
Thrift Activity Farm Ltd  
Turn It On Ltd  
Vale of Aylesbury Housing Trust  
Wolverton & Watling Way Pools Trust  
Wycombe Heritage and Arts Trust



# The Audit Findings for Buckinghamshire Council Pension Fund

Year ended 31 March 2021

June 2023

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## Section

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2. Financial statements
3. Independence and ethics

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Buckinghamshire Council Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

---

## Financial Statements

---

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our findings have been summarised in Appendix A to C. Based on the work completed to date, we have not identified any material adjustments to the financial statements that impact the Fund's net asset position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is in progress and presently there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter {- see appendix F};
- review of the final set of financial statements incorporating audit adjustments.

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

Our anticipated audit report opinion will be unqualified.

---

# 2. Financial Statements

## Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Fund's business and is risk based, and in particular included:

- An evaluation of the Fund's internal controls environment, including its IT systems and controls;
- Controls testing of the Fund's member data systems; and
- Substantive testing of significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you in July 2021.

## Conclusion

We have substantially completed our audit of your financial statements we anticipate issuing an unqualified audit opinion, as detailed in [Appendix E]. These outstanding items are detailed on page 3.

## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan dated July 2021.

We detail in the table our determination of materiality for Buckinghamshire Council Pension Fund.

	Pension Fund Amount (£000)	Qualitative factors considered
Materiality for the financial statements	29,137	We considered materiality from the perspective of the users of the financial statements. We considered 0.8% was an appropriate rate to apply to the total assets benchmark. The rationale for using this benchmark is that in a pension scheme the financial statements are dominated by the investment portfolio and therefore the financial statements materiality is normally expected to be based upon total assets. Therefore, this is the most appropriate and significant benchmark for the reader of the accounts and it ensures that contributions and benefits payable are scoped in.
Performance materiality	21,853	The Pension Fund does not have a history of significant deficiencies or a large number of misstatements.
Trivial matters	1,457	The threshold above which we are required to report errors or uncertainties to those charged with governance, calculated as 5% of materiality.



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.

We have:

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

Our audit work has not identified any issues in respect of management override of controls.





## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Fraudulent revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Buckinghamshire Council and Buckinghamshire Council Pension Fund, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Buckinghamshire Council Pension Fund.

As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

#### Fraudulent expenditure recognition

We have considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.

We were satisfied that this did not present a significant risk of material misstatement in the 2020/21 accounts as:

- The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong;
- We have not found significant issues, errors or fraud in expenditure recognition in the prior years audits; and
- Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition.

Therefore we do not consider this to be a significant risk for Buckinghamshire Council Pension Fund.

As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Valuation of Level 3 investments

You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.

By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (**PY: £154m**) and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2021.

We therefore identified valuation of Level 3 investments as a significant risk.

### Commentary

We have:

- evaluated management's processes for valuing Level 3 investments.
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met.
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. We reconciled those values to the values at 31 March 2021 with reference to known movements in the intervening period.
- in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert.
- tested revaluations made during the year to see if they had been input correctly into the Fund's asset register.
- where available, reviewed investment manager service auditor reports on the design effectiveness of internal controls.

Our audit work to date has not identified any other issues in respect of the valuation of Level 3 investments. We will provide an update to Audit and Governance Committee when the work is complete.

# 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

## Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

Level 3  
Investments –  
£167m

The Fund has investments in private equity, infrastructure and property that in total are valued on the balance sheet as at 31 March 2021 at £167m (£154m as at 31 March 2020). These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs.

In order to determine the value, management use fund managers to determine valuations using recognised techniques for the particular investment type (private equity, infrastructure and property). The value of these investment has increased by £13m in 2020/21, which is not a significant variance.

Management has considered alternative estimates and disclosed an estimation uncertainty in the financial statements disclosing there is a risk that the private equity investments may be under or overstated in the accounts by £34m.

Our assessment of the estimate comprised:

- evaluating the audit opinion relating to the funds within which the investments are held.
- evaluating impact of any material uncertainty disclosed by the fund managers in the Fund accounts.
- testing the key assumptions used to determine the estimate.
- the appropriateness of the underlying information and techniques used to determine the estimate.
- adequacy of disclosure of the estimate in the financial statements.

We consider management's process is appropriate and key assumptions are neither optimistic or cautious

### Assessment

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

# 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

## Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Level 2 Investments – £3,410m

The Fund has investments in a range of bonds, pooled investment vehicles and property unit trusts that in total are valued in the net assets statement as at 31 March 2021 at £3,410m (£2,679m as at 31 March 2020).

The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management use fund managers to determine valuations using recognised pricing techniques (such as for the equities and bonds held within pooled investment vehicles) and where appropriate use qualified external providers (for property unit trusts).

The value of the investment has increased by £731m in 2020/21, mainly due to unrealised profits amounting to £581m. The realised profits contributing to the increase in valuation amount to £102m.

Our assessment of the estimate comprised:

- the controls employed by the fund managers engaged by management to determine the valuation of these investments.
- agreeing investment unit prices or valuations to reports from the custodian and fund managers.
- the appropriateness of the underlying information and techniques used to determine the estimate.
- adequacy of disclosure of the estimate in the financial statements.

We identified from our testing an overstatement of £2.21m in the value of the Brunel Smaller Companies fund as a result of differences in the share price used by Buckinghamshire Pension Fund and the share price recorded on FT .com.

We estimated the potential error in our untested residual population as an overstatement of £6.72m. This gives a total overstatement of £8.939m

We have recorded this as an unadjusted error at appendix C

We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

#### Assessment

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

## 2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Fund prior to issuing the audit opinion.

## 2. Financial Statements - other communication requirements



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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Fund's custodian, fund managers and bank. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided. At the start of the audit transaction listings contained many contra entries, which ultimately reverse out and do not form part of year end balances. We worked with management to ensure that transactions listings were cleansed before we selected our samples. This caused some delay to audit progress and we have raised a recommendation in Appendix A.

## 2. Financial Statements - other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.</li> </ul>

## 2. Financial Statements - other communication requirements cont...



### Our responsibility

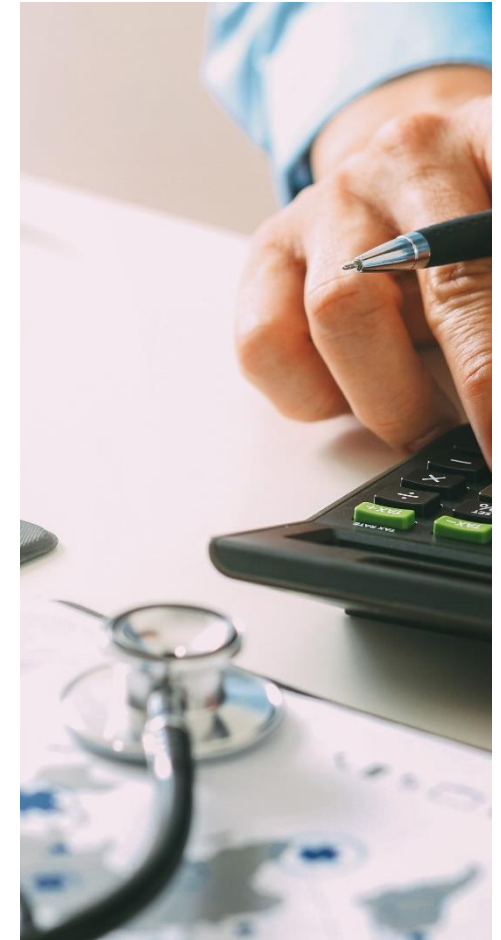
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Pension Fund and the environment in which it operates;</li> <li>• the Pension Fund's financial reporting framework;</li> <li>• the Pension Fund's system of internal control for identifying events or conditions relevant to going concern; and</li> <li>• management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified; and</li> <li>• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>



## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	<p>A number of inconsistencies and omissions have been identified from the hot review of the accounts These pertain to the following disclosures:</p> <ul style="list-style-type: none"> <li>• Accounting Policies</li> <li>• Critical Judgements</li> <li>• Events after the Reporting Date</li> <li>• Estimation Uncertainty</li> <li>• Key Management Personnel</li> <li>• Accounting Standards that have been issued but not yet adopted</li> <li>• Investment Disclosures (note 11 and 12)</li> <li>• Actuarial Position and Actuarial Present Value of Promised Retirement Benefits Disclosures (note 17 and 18)</li> </ul> <p>Note 3 – footnote to explain increase in employer contribution</p> <p>Though these have been adequately rectified by management, we expect fewer omissions and errors in the notes accompanying the Pension Fund’s financial statements. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our ‘consistency’ opinion on the Fund’s Annual Report at the same time as issuing the audit opinion.</p>



# 3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 3. Independence and ethics

## Audit and non-audit services

The table below sets out the audit related services and non-audit related services charged from the beginning of financial year to the date of the issuance of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Provision of IAS 19 Assurances to Scheme Employer auditors	8,000	Self-interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,000 in comparison to the total fee for the audit of £38,000 and in particular relative to Grant Thornton UK LLP's turnover overall. This mitigates the perceived self-interest threat to an acceptable level.
		Self Review	We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management.
		Management	We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.

No non-audit services were identified which were charged from the beginning of the financial year.

# Independence and ethics (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and Buckinghamshire Pension Fund may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and Buckinghamshire Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of Buckinghamshire Pension Fund's senior management or staff that would exceed the threshold set in the Ethical Standard

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We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified one recommendations for the Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on the recommendation during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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Assessment	Issue and risk	Recommendations
High	<p><b>Transaction listings</b></p> <p>At the start of the audit transaction listings contained many contra entries, which ultimately reverse out and do not form part of year end balances. We worked with management to ensure that transactions listings were cleansed before we selected our samples. This caused some delay to audit progress.</p> <p>The risk is that if transaction listings are not cleansed, we will select sample items that ultimately need to be replaced as they do not exist at year end and/or our sample sizes are significantly inflated increasing audit input and the demand on management.</p>	<p>Transaction listings provided to audit should be cleansed of significant contra entries.</p> <p><b>Management response</b></p> <p>We will complete a review and data cleanse before transaction listings are sent through going forward</p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Investment Valuation:</b> As part of our testing of investments we reconciled the year end valuations as per the custodian reports with the fund manager statements. In doing so, we discovered that a variance amounting to £10,059k was attributable to the fact that State Street (the Custodian) had used the 31st December valuation data (latest available at the time) to value the 31st of March positions. The client also used the custodian figures in preparation of their accounts.</p>	<p><b>Response as per prior year AFR:</b> Client confirmed that they will liaise with State Street to discuss if they are able to provide the information needed in a timelier manner.</p> <p><b>20/21 Update:</b> Majority of the funds are valued at 31.03.2021. For the small amounts that are valued at 31.12.2020, this will not have a material impact on the accounts. The reason for using some data from the 31.12.2020 is due to the timing of the information being provided to us from the fund managers.</p>
✓	<p><b>Scheme Contributions:</b> The reconciliation of monthly returns for scheme contributions from scheduled and admitted bodies had a total difference of £3,808k We could not obtain a clean reconciliation between the accounts and employer contribution records; the total difference was £3,808k. Auditor sought an explanation for this variance; however this could not be provided by the client at a macro level. Auditor thus performed an employer-by-employer reconciliation to determine why this difference occurred and reconciled this down to a trivial difference of £11k. There were also several insignificant differences noted in relation to several other employers. Whilst the accuracy and completeness of the reconciliation has been improved since this issue was first identified, we consider that there remains a need to improve further these aspects of the reconciliation.</p>	<p><b>Response as per prior year AFR:</b> We are in the process of improving the reconciliation. Including monthly reports to Management.</p> <p><b>2020/21 update:</b> The reconciliation process has been improved further this year, with officers fully reconciling returns to SAP on quarterly basis by employer.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Investments - Challenge to assumptions:</b> We made inquiries regarding the assumptions that are used by the fund managers for valuations of level 2 and level 3 investments and concluded that client does not challenge them. Furthermore, management failed to demonstrate any challenge to the classification methodology for the different hierarchy of investments.</p>	<p><b>Response as per prior year AFR:</b> We will ensure to review and challenge the fund managers and custodians where we can.</p> <p><b>2020/21 update:</b></p> <p>Where appropriate we have challenged the assumptions of custodian. This is documented in our audit files.</p>
✓	<p><b>Management challenge of actuary:</b> During our review of the actuarial PV of Promised Retirement Benefits, as required, we sought to obtain management's review and challenge of the actuary's estimate.</p> <p>There was no evidence of management's formal challenge to the actuary's estimate.</p> <p>Management are responsible for the judgements within the financial statements. They are required to retain evidence of their challenge and correspondences with the experts while making their judgments and decisions regarding accounting estimates.</p>	<p><b>Response as per prior year AFR:</b> We will ensure to review and challenge the Actuary where we can.</p> <p><b>2020/21 update:</b></p> <p>Where appropriate we have challenged the assumptions of Barnett Waddingham. <b>This is documented in our audit files.</b></p>

## Assessment

- ✓ Action completed
- X Not yet addressed



# B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>IAS 19: Digital filing System:</b> As part of our IAS 19 testing, we noted several instances of version control issues. Multiple email exchanges between the Pension Fund and the employers for confirmation of data to be sent to the actuary, were initially sent as final evidence to our audit team.</p> <p>It proved extremely cumbersome to obtain the final source data from employers which agreed to that sent to the actuary. An appropriate system of version control regarding source data is needed.</p> <p>This will ensure that the audit is more efficient, and less time is spent going through several emails which are not supporting the source data sent to the actuary.</p>	<p><b>Response as per prior year AFR:</b> We will ensure we keep the final versions of all data submitted to the actuary by the individual employers</p> <p><b>2020/21 update:</b></p> <p>We have created a sperate file in our audit papers which includes a folder per employer. Within this folder is the final data submission</p>
✓	<p><b>IAS 19: Milton Keynes Council:</b> As part of our IAS 19 testing, we noted that Milton Keynes Council, did not respond to efforts by the Pension Fund to obtain their data to be sent to the actuary.</p> <p>Similarly, it was also noted that up to August 2020, the March 2020 employer return was not submitted despite several attempts to obtain this information.</p> <p>Consideration should be given by management to identify ways in which data can be obtained from Milton Keynes Council ahead of year end closedown and audit.</p>	<p><b>Response as per prior year AFR:</b> We have been liaising with MK ongoing and have now obtained the data required</p> <p><b>2020/21 update:</b></p> <p>We continue to work with all our employers in order to obtain the data we require in order to be able to prepare our accounts</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
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Reclassification of cash in the current and prior period.

During the hot review of Buckinghamshire Pension Fund, the reviewer noted that the Credit Risk disclosure stated the 'Cash held by investment managers is invested with the global custodian, State Street, in a diversified money market fund rated AAAm'. This was inconsistent with the financial instruments disclosure as our understanding of the MMFs is that these should be classified as fair value through profit and loss FVTPL whereas all the Cash deposits (comprising of MMFs alongside cash held with Fund managers) are classified as held at amortized cost. This resulted in the reclassification of £29,682m as FVTPL in the financial instrument disclosure note and £27,532m of the cash balance being reclassified as FVTPL. This is just a disclosure error and has no impact on the cash balance or the net asset statement.

✓

The adjustment is shown in the table below.

	2019-20	2020-21
<b>MMF (FVTPL)</b>	27,532	29,682
<b>Cash held with Fund Managers (Amortised Cost)</b>	34,324	13,980
<b>Total</b>	<b>61,856</b>	<b>43,662</b>

We made a recommendation to management to adjust for the error.

## Management response

Agreed to changes. To be reflected in revised financial statements.

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Critical Judgements	<p>We noted that within critical judgements in applying accounting policies, the disclosure in relation 'pension fund liability' is an estimation uncertainty rather than critical judgement and should not be included.</p> <p><b>Management response</b> Agreed to changes. To be reflected in revised financial statements.</p>	✓
Material Uncertainty	<p>We noted that the Pension Fund had disclosed a material uncertainty in their draft accounts pertaining to the valuation of level 3 investments. Since none of the fund managers had disclosed the same in their financial statements, it is not appropriate for the Pension Fund to have a material uncertainty disclosure.</p> <p><b>Management response</b> Agreed to changes. To be reflected in updated draft accounts.</p>	✓
Other Formatting Issues	<p>We noted that there were a number of minor formatting issues in the notes to the Pension Fund financial statements section. These comprise of the adjustments communicated to the client via A1a along with other minor issues identified from the hot review for notes 9, 10, 11 and 12.</p> <p><b>Management response</b> Agreed to changes. To be reflected in updated draft accounts.</p>	✓

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Notes 17 and 18	<p>We noted financial assumption percentages were misstated in Note 17, and CPI and RPI percentages were misstated in Note 18.</p> <p><b>Management response</b> Agreed to changes. To be reflected in revised financial statements.</p>	✓
Accounting Policies – Financial Instruments Note 12	<p>Financial instruments policy did not reflect IFRS 9. For example, assets and liabilities are classified under different models in IFRS 9; the term Loans and Receivables is no longer applicable, it should be 'Assets at amortised cost'. Also the definition is different to that of held at amortised cost under IFRS 9, therefore should be updated in line with CIPFA Code. Note 12 categories are also not in line with IFRS 9.</p> <p><b>Management response</b> Agreed to changes. To be reflected in revised financial statements.</p>	✓
Accounting Standards that have been issued but not yet adopted.	<p>Accounting Standards that have been issued but not yet adopted should disclose the expected impact on the accounts. We asked management to add the following narrative to this disclosure in the revised financial statements; 'None of the Accounting Standards that have been issued but not yet adopted will have a significant impact the financial statements.'</p> <p><b>Management response</b> Agreed to changes. To be reflected in revised financial statements.</p>	✓

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Key Management Personnel disclosures	<p>Key management personnel disclosures in the draft accounts, required per Code 3.9.4.2, referred to disclosures within the Buckinghamshire Council financial statements. The required disclosures must be made in full within the Fund's financial statements as they are a standalone Statement of Accounts.</p> <p><b>Management response</b> Agreed to changes. To be reflected in revised financial statements.</p>	✓
Note 3 - Contributions	<p>We expect a footnote to explain to explain the huge increase in employee contribution.</p> <p><b>Management response</b> Agreed to changes. To be reflected in revised financial statements.</p>	

# C. Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
<ul style="list-style-type: none"> <li>Investment assets</li> <li>(Profit) and losses on disposal of investments and changes in value of investments</li> </ul>	8,939	-8,939	-8,939	Not material
<p>An overstatement of £2.21m identified in the value of the Brunel Smaller Companies fund as a result of differences in the share price used by Buckinghamshire Pension Fund and the share price recorded on FT .com.</p> <p>We estimated the potential error in our untested residual population as an overstatement of £6.72m. This gives a total overstatement of £8.939m</p>				
<b>Overall impact</b>	<b>8,939</b>	<b>-£8,939</b>	<b>-£8,939</b>	



# C. Audit Adjustments

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	2019-20 Pension Fund Account £'000	2019-20 Net Asset Statement £' 000	2019-20 Impact on total net assets £'000	Reason for not adjusting
As part of our testing of investments we reconciled the 2019-20 valuations as per the custodian reports with the fund manager statements. In doing so, we discovered that a variance amounting to £10,059k was attributable to the fact that the fund managers (Partners Group and Pantheon) data was lagged so the Custodian (State Street) had used the 31 December valuation data (latest available at the time) to value the 31 March positions. Management used the Custodian's figures in preparation of the financial statements. The use of Custodian figures for accounts preparation introduces the potential overstatement of the investments in question as they are valued as at 31 December 2019 whereas the fund manager statements include the more up-to-date figures.	10,059	(10,059)	(10,059)	The overstatement of investment was below materiality and hence it was not adjusted in the accounts.
<b>Overall impact</b>	<b>£10,059</b>	<b>(£10,059)</b>	<b>(£10,059)</b>	

# D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Buckinghamshire Council Pension Fund Audit	£38,000	£47,000

The audit fee in the statement of accounts is £38,000. This is under accrued by £9,000 and is due to the fee variation not being finalised and is subject to approval of PSAA.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
<b>Audit Related Services</b>		
Other [IAS 19 Assurances]	£7,000	£8,000

The fees for IAS 19 the statement of accounts is £7,000. This is under accrued by £1,000.



# D. Fees

We confirm below our final fees charged for the audit the provision of non audit services.

<b>Audit fees</b>	<b>Estimated Fee</b>
Scale Fee	£19,275
ISA 540	£1,900
FRC challenge	£4,375
Investments valuation	£5,900
Journals testing	£2,100
Quality/Preparation issues including PPA – cash error	£4,450
Accounts Hot Review	£2,500
Revisit and additional investment testing following revised methodology	£3,100
Going concern update from 2021	£2,000
PBSE update from 2021	£1,400
<b>Total audit fees (excluding VAT)</b>	<b>£47,000</b>

# E. Audit opinion – Draft

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

## Independent auditor’s report to the members of Buckinghamshire Council on the pension fund financial statements of Buckinghamshire Council Pension Fund

### Opinion

We have audited the financial statements of Buckinghamshire Council Pension Fund (the ‘Pension Fund’) administered by Buckinghamshire Council (the ‘Authority’) for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund’s assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund’s financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director- Corporate finance’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

# E. Audit opinion – Draft

In our evaluation of the Service Director- Corporate finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director- Corporate finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Service Director- Corporate finance with respect to going concern are described in the 'Responsibilities of the Authority, Service Director- Corporate finance and Those Charged with Governance for the financial statements' section of this report.

## Other information

The Service Director- Corporate finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts , other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund 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 Pension Fund 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.

# E. Audit opinion – Draft

## Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

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

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

## Responsibilities of the Authority, the Service Director- Corporate finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 3, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director- Corporate finance. The Service Director- Corporate finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Service Director- Corporate finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Service Director- Corporate finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

# E. Audit opinion – Draft

## Auditor’s responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority’s policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund’s financial statements to material misstatement, including how fraud might occur, by evaluating officers’ incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

# E. Audit opinion – Draft

- The pressure on management in terms of how they report performance. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk. Therefore, the journals we selected for testing were identified based on the risk assessment configuration and the weighted risk calculation. For this purpose, we used our judgement to assign a numerical value (score) to each transaction. Transactions which are analysed as being higher risk were assigned a higher score. These higher risk transactions were then tested to identify any potential management bias. We found no instances of management bias as a result of our testing .
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Service Director- Corporate finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on journals having characteristics which indicate potential management bias;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.

# E. Audit opinion – Draft

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework .

## Use of our report

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

Mark Stocks, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date]

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# F. Management Letter of Representation – To Follow

To Follow

To Follow





## Report to Audit and Governance Committee

<b>Date:</b>	5 July 2023
<b>Title:</b>	<b>Review of Effectiveness of Audit Committee</b>
<b>Relevant councillor(s):</b>	<b>N/A</b>
<b>Author and/or contact officer:</b>	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
<b>Ward(s) affected:</b>	<b>N/A</b>
<b>Recommendations:</b>	<b>To note the report</b>
<b>Reason for decision:</b>	N/A

### 1. Executive summary

- 1.1 Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk, and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 1.2 In accordance with CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 (Appendix 1), an evaluation of the effectiveness of Buckinghamshire Council's Audit and Governance Committee has been undertaken, and areas for improvement have been identified.

### 2. Content of report

- 2.1 CIPFA's Self-Assessment of Good Practice checklist provides a high-level review that incorporates the key principles set out in their Position Statement and guidance document Audit Committees: Practical Guidance for Local Authorities and Police. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in

place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

- 2.2 The results of the self-assessment exercise, carried out by some members of the Audit and Governance Committee and a sample of officers who support the committee, can be seen in Appendix 2.
- 2.3 The majority of the good practice principles were assessed as “fully complies” and requires no further improvement.
- 2.4 An Improvement Plan has been drafted to address the actions required where the good practice principles have been assessed as “partially complies” or “does not comply” and therefore needs improvement.
- 2.5 The good practice principles identified as requiring improvement include the following:
  - Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
  - Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
  - Has the committee met privately with the external auditors and head of internal audit in the last year?
  - Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?
  - Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?
  - Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?
  - Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?
  - Do audit committee recommendations have traction with those in leadership roles?
  - Has the committee evaluated whether and how it is adding value to the organisation?
  - Does the committee have an action plan to improve any areas of weakness?

The Improvement Plan, which addresses the areas above, can be found at Appendix 3.

### **3. Other options considered**

3.1 N/A.

### **4. Legal and financial implications**

4.1 None.

### **5. Corporate implications**

5.1 None.

### **6. Local councillors & community boards consultation & views**

6.1 N/A

### **7. Communication, engagement & further consultation**

7.1 N/A.

### **8. Next steps and review**

8.1 The Improvement Plan will be monitored and updated on a regular basis and presented at the Audit and Governance Committee as a standing item on the agenda.

### **9. Background papers**

None

### **10. Your questions and views (for key decisions)**

10.1 If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider, please inform the democratic services team. This can be done by telephone 01296 382343 or email [democracy@buckinghamshire.gov.uk](mailto:democracy@buckinghamshire.gov.uk).

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## CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

### Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

### Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

**The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.**

## CIPFA's Position Statement 2022: Audit committees in local authorities and police

### Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

## Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

### Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

### Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

### Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit
  - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

### Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.



## Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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## APPENDIX E

# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply				Fully complies
	Partially complies and extent of improvement needed*				
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

## Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> <li>results of the annual evaluation, development work undertaken and planned improvements</li> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>																									
<b>Functions of the committee</b>																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

### Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?																				
<ul style="list-style-type: none"> <li>Separation from executive</li> </ul>																				
<ul style="list-style-type: none"> <li>A size that is not unwieldy and avoids use of substitutes</li> </ul>																				
<ul style="list-style-type: none"> <li>Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>																				
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?																				
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?																				
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?																				
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?																				
18 Is adequate secretariat and administrative support provided to the committee?																				
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?																				

### Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?																				
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?																				
22 Are meetings effective with a good level of discussion and engagement from all the members?																				
23 Has the committee maintained a non-political approach to discussions throughout?																				

Good practice questions	Partially complies and extent of improvement needed				Fully complies	
	Does not comply	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5	
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?						
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?						
26 Do audit committee recommendations have traction with those in leadership roles?						
27 Has the committee evaluated whether and how it is adding value to the organisation?						
28 Does the committee have an action plan to improve any areas of weakness?						
29 Has this assessment been undertaken collaboratively with the audit committee members?						
<b>Subtotal score</b>						
<b>Total score</b>						
<b>Maximum possible score</b>						<b>200**</b>

\*\* 40 questions/sub-questions multiplied by five.

***All actions to be updated, including completion dates, by September meeting.***

5 JULY 2023

	CIPFA Good Practice Question(s)	Action required	Action Owner (s)
Audit Committee Purpose and Governance	(5) Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee? (6) Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<ol style="list-style-type: none"> <li>1. Improve feedback “loop” with CMT to have greater visibility of how matters raised at A&amp;G are being used to drive improvements across organisation.</li> <li>2. Agree process to communicate audit recommendations with relevant Cabinet Members.</li> <li>3. Consider frequency of attendance at A&amp;G by lead officers (CEO, Monitoring Officer).</li> </ol>	Head of Business Assurance and Audit Board (S151 and Monitoring Officer)
Functions of the Committee	(9) Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement as follows: - Risk Management (12) Has the committee met privately with the external auditors and head of internal audit in the last year?	<ol style="list-style-type: none"> <li>4. Review A&amp;G and Risk Management Group’s Terms of Reference to ensure clearly details what action is expected as a result of risk register discussions (for example, a briefing note to next relevant meeting with an update).</li> <li>5. To consider consequences of not taking appropriate action.</li> <li>6. To add meetings with external auditors and head of internal audit as standing item to agenda.</li> </ol>	Head of Business Assurance and Chair of Audit and Governance Committee

<p>Membership and Support</p>	<p>(13) Has the committee been established in accordance with the 2022 guidance as follows: - inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</p> <p>(14) Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?</p> <p>(15) Has an evaluation of knowledge, skills and training needs of the chair and committee members been carried out within the last two years?</p> <p>(16) Have regular training and support arrangements been put in place covering areas set out in the 2022 guidance?</p> <p>(17) Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?</p>	<ol style="list-style-type: none"> <li>7. To carry out an exercise, to include benchmarking, to understand the benefits more fully.</li> <li>8. Present paper to A&amp;G meeting in September for consideration.</li> <li>9. Undertake skills/knowledge/training analysis of A&amp;G members and identify any gaps.</li> <li>10. Develop A&amp;G Member training programme.</li> <li>11. Present report to A&amp;G committee on actions 8 and 9 in September 2023.</li> </ol>	<p>Head of Business Assurance and Audit Board (S151 and Monitoring Officer)</p>
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<p>Effectiveness of the Committee</p>	<p>(22) Are meetings effective with a good level of discussion and engagement from all the members?  (26) Do audit committee recommendations have traction with those in leadership roles?  (27) Has the committee evaluated whether and how it is adding value to the organisation?  (28) Does the committee have an action plan to improve any areas of weakness?</p>	<p>12. Ensure members have adequate time to read and understand papers ahead of meetings.  13. See action 1. above  14. Chair of A&amp;G to seek views on adding value from CEO and Leader.  15. Action plan now in place and will be reported to A&amp;G at each meeting.</p>	<p>Head of Business Assurance and Chair of Audit and Governance Committee</p>
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## Report to Audit and Governance Committee

<b>Date:</b>	5 July 2023
<b>Title:</b>	<b>23/24 Draft Business Assurance Strategy (incl. Internal Audit Plan)</b>
<b>Relevant councillor(s):</b>	<b>N/A</b>
<b>Author and/or contact officer:</b>	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
<b>Ward(s) affected:</b>	<b>N/A</b>
<b>Recommendations:</b>	<b>To approve the Business Assurance Strategy and Internal Audit Plan</b>
<b>Reason for decision:</b>	<b>N/A</b>

### 1. Executive summary

- 1.1 The purpose of the report is to present the draft 2023/24 Business Assurance Strategy which includes the proposed Internal Audit Plan.
- 1.2 The Business Assurance Team delivers the Council’s Risk Management, Business Continuity, Internal Audit, Assurance and Counter Fraud services.

### 2. Content of report

- 2.1 The Accounts and Audit Regulations 2015 (S5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance; these are defined as the Public Sector Internal Auditing Standards 2017.
- 2.2 The Public Sector Internal Auditing Standards defines “Internal auditing is an independent, objective assurance and consulting activity designed to add value and

improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- 2.3 The Internal Audit plan is produced with reference to the Strategic and Directorate Risk Registers and is prepared using a risk-based methodology that enables the provision of an independent opinion on the adequacy and effectiveness of the systems of internal control (comprising of risk management, corporate governance, financial and operational controls).
- 2.4 Whilst we have a plan in place, we recognise the need to have a fluid approach to enable an effective response to emerging risks and the needs of the organisation, as such a risk-based planning model has been used to assess and identify the key audit engagements that ‘must’ be delivered this year. The remaining audits in the plan that are RAG rated ‘medium’ or ‘low’ will be carried out based on availability of resource and other urgent requests.
- 2.5 We have identified a number of contingency days to allow us to react to ad-hoc and unplanned requests for assurance or fraud work. We will present proposed changes to the plan to the Audit Board and Audit and Governance Committee for approval.
- 2.6 We present quarterly updates to each of the directorates, and the planned audit and assurance activity is reviewed for appropriateness each time. We also seek the views of the directorates on the work of the Business Assurance Team to enable continuous improvement and ensure that we are meeting the needs of the organisation as best we can.
- 2.7 The strategy was presented to the Corporate Management Team (CMT) on 29 June 2023, and the proposed plan was agreed.
- 2.8 The strategy has been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director of Legal Services).

### **3. Other options considered**

- 3.1 N/A.

### **4. Legal and financial implications**

- 4.1 None.

### **5. Corporate implications**

- 5.1 None.

## **6. Local councillors & community boards consultation & views**

6.1 N/A

## **7. Communication, engagement & further consultation**

7.1 N/A.

## **8. Next steps and review**

8.1 An update on delivery of the Business Assurance Strategy and a summary of the internal audit output will be presented as a standing agenda item at Audit and Governance Committee meetings.

## **9. Background papers**

9.1 None.

## **10. Your questions and views (for key decisions)**

10.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email [democracy@buckinghamshire.gov.uk](mailto:democracy@buckinghamshire.gov.uk).

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**BUCKINGHAMSHIRE COUNCIL**

**2023/24 DRAFT BUSINESS ASSURANCE STRATEGY and INTERNAL AUDIT PLAN**

Maggie Gibb

Head of Business Assurance (& Chief Internal Auditor)

June 2023

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## 1. Introduction

- 1.1 This paper details the Business Assurance Strategy, including the Internal Audit plan, the resources available and how we will be delivering our service in FY2023/24.
- 1.2 The Business Assurance Team delivers the Council's Risk Management, Business Continuity Management, Assurance, Internal Audit and Counter Fraud services. The team operates under the Service Director for Legal and Democratic Services within the Deputy Chief Executive Directorate. A separate paper will be presented for the Risk Management and Business Continuity Management activities.
- 1.3 The Accounts and Audit Regulations 2015 (S5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance; these are defined as the Public Sector Internal Auditing Standards 2017.
- 1.4 The Public Sector Internal Auditing Standards defines "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 1.5 The Chief Internal Auditor is required to provide an annual report on the system of internal control which is used to inform the Council's Annual Governance Statement. In providing this opinion, we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis. There is a need for robust and effective controls to be in place in order to make certain that resources are used to be best effect and deliver the authority's objectives. Internal audit helps provide independent assurance that risks are known, understood and addressed, and that systems and procedures are sound, effective and free (as far as can be) from waste, error or fraud.

- 1.6 It is the Chief Internal Auditor's objective to propose a plan that addresses the emerging risks and developing areas for the council, whilst still covering the material and cross cutting systems and ensuring that internal audit resources are directed in the most appropriate way.

## **2. Internal Audit Strategy**

- 2.1 The Council will continue to work towards a combined assurance model using the "three lines of defence" approach, with Internal Audit operating as the third line of defence. The first line of defence is achieved by the management controls and systems within each of the services, and the second line of defence from the professional leads responsible for monitoring the key governance frameworks such as finance, HR, technology, contract management and decision making. The model is currently in progress and will be embedded into the governance reporting process for the FY2023/24, as the Business Assurance Team will be supporting the Professional Leads and Corporate Directors in developing their assurance frameworks, by providing advice and guidance. These frameworks will be further embedded alongside the Code of Corporate Governance for Buckinghamshire Council.
- 2.2 To provide an opinion on the system of internal control, the Chief Internal Auditor will use the work undertaken by the Business Assurance Team:
- The Senior Business Assurance Officer focusses on the system of risk management, and the performance risks within the key services, including the major contracts, projects and transformation programmes. It is also the responsibility of this team to co-ordinate the combined assurance reporting which includes monitoring and reviewing the completeness of the management control, (first line of defence) and the professional lead statements, (second line of defence). Quarterly updates and a year-end combined assurance report will be produced for each of the Directorates.
  - The Internal Audit team reviews the key control processes across the organisation, including those supporting critical service areas. The activity focusses on governance, and internal control, including financial management and fraud risk. As the third line of assurance, it is the role of Internal Audit to consider the adequacy and effectiveness of the first two lines of assurance.

### 3 Audit Planning Methodology

3.1 It is widely recognised across the sector that adopting more flexible audit plans enable internal audit to be more responsive to changing risks and emerging priorities, in turn maximising resource focus to meet the needs of the organisation as and when needed – Agile Auditing. The Business Assurance Team fully adopted this approach during the pandemic, where significant in year changes had to be made to the 2020/21 and 2021/22 audit plan. We continue to follow this principle as we have recognised several benefits with the ever-changing priorities and related risks. Key benefits include:

- reduction in non-productive resource planning - current pandemic circumstances require significant plan changes.
- improved opportunity to keep plan aligned to current risks within Service Areas and as a whole for the Authority.
- more effective and timely pre-audit engagement with key Service Leads.
- greater and more regular discussion with services – supporting current risk and work priorities.
- being in line with sector practices for more flexible audit plans – agile auditing.
- experience that plans change regularly.
- changes in external risk drivers are more easily picked up in audit assurance needs.

3.2 The Internal Audit plan is produced with reference to the Strategic and Directorate Risk Registers and is prepared using a risk-based methodology that enables the provision of an independent opinion on the adequacy and effectiveness of the systems of internal control (comprising of risk management, corporate governance, financial and operational controls). The plan is also informed through discussions with the Senior Leadership Teams for each Directorate, Heads of Finance, Section 151 Officer and the Deputy Chief Executive (Monitoring Officer); these discussions provide crucial insight and intelligence into the strategic and operational priorities of the organisation. Combine assurance reports are presented to each directorate leadership team(which include the Corporate Directors) and to the Audit Board to ensure the plan is kept under continuous review and response to emerging risks and new service priorities.

- 3.3 The Audit Plan is dynamic and is constantly reviewed and updated to reflect the changing risks faced by the Council. The plan will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to. The plan will also be reviewed quarterly in conjunction with Strategic and Directorate Risk Registers and presented to the Audit Board and Audit and Governance Committee for consideration and comment.
- 3.5 In order to make certain the audit efforts are focussed on those areas that are key, an audit planning model has been used on the list of audits identified from the discussion with senior management, the review of risk registers and those identified through horizon scanning. The model is predicated on the basis that all risks are relative but that they can be compared by combining three key factors: -

1. The size, importance or inherent risk in the area under review
2. The assessment of the effectiveness of the internal controls
3. The likelihood of the consequences being detected if the risk does materialise.

Each of the above factors is given an equal overall weighting to reflect the fact that audit assessment is a combination of risk and control. The risks in each function or system throughout the business are then evaluated to create a score for each of the three categories above. Included within the model are sub-categories which are given different weightings to reflect their relative importance. A formulaic calculated is applied to the derive the overall risk score. Based on the agreed scoring threshold the audit assignment is RAG rated, with those scored **RED** deemed to be a priority to deliver this year.

- 3.6 The 2023/24 Internal Audit Plan (**Appendix 2**) includes all the identified internal audit engagements that are RAG rated **RED** based on the Audit Planning Model score. We have also included a supplementary list of auditable areas (**Appendix 3**) that were identified as part of the 2023/24 planning process but have been RAG rated **MEDIUM** or **LOW** for delivery per the Audit Planning Model. This list will be kept under continuous review and audits that are **MEDIUM** rated may be added to the plan for delivery based on resource capacity and service priorities, this will be subject to discussions with the respective directorate leadership teams, Audit Board and Audit & Governance Committee approval.

## 4. Counter Fraud

- 4.1 Counter-fraud provisions are a high priority for the Council and assist in the protection of public funds and accountability. The Counter Fraud Team procedures alone cannot guarantee the detection of fraud and corruption; however the Council has frameworks and procedures in place to detect, prevent fraud and encourage staff as well as the public to report suspicions of fraud through a number of channels. Senior Management across the authority have responsibility for ensuring that there are adequate controls in place to manage the risk of fraud and corruption. The size and complexity of the authority means that some irregularities are inevitable, and when these arise the Counter Fraud Team must deploy resources to investigate these. The team will investigate instances of potential fraud and irregularities referred to them and will also carry out pro-active anti-fraud and corruption reviews of systems and process considered to be most at risk to fraud.
- 4.2 The Counter Fraud Plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has adequate and effective resources and controls in place to prevent and detect fraud. The Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally was launched in 2020 and supported by CIPFA, the LGA, SOLCACE and External Auditors provides a framework for the Council to adopt in developing its counter fraud activity. The Council's Counter-Fraud arrangements are designed to adhere to the "6 C's" Themes contained within this national Strategy, which are:
- **Culture** – creating a culture where fraud and corruption are unacceptable;
  - **Capability** - assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate;
  - **Capacity** - deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance;
  - **Competence** - having the right skills and standards commensurate with the full range of counter fraud and corruption activity;
  - **Communication** - raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes; and

- **Collaboration** - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

4.3 The Council has an Anti-Fraud and Corruption Strategy which guides the Council's approach to its fraud response. The strategy states that; 'Buckinghamshire Council has a zero-tolerance stance to all forms of fraud, corruption, bribery and theft, both from within the Council and from external sources, which it recognises can:

- undermine the standards of public service that the Council is attempting to achieve;
- reduce the level of resources and services available for the residents of Buckinghamshire; and
- result in consequences which reduce public confidence in the Council.

4.4 The Counter-Fraud team's purpose is therefore to apply and to promote the zero-tolerance approach to fraud by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews. For 2023/24 (**Appendix 2**) the plan will include:

- deliver fraud awareness training - hold formal sessions to groups across the Council to raise awareness of what the Counter Fraud Team's responsibilities are in relation to fraud and counter-fraud, different types of fraud, fraud risks, whistleblowing procedures etc.
- produce period internal communications - send messages across the Council to promote 'good practice' and raise awareness of potential indicators of fraud and staff responsibilities.
- The proactive probity activities to be undertaken that have been identified through a review of emerging internal risks, thematic irregularities based on previous investigations, NFI data matches and emerging fraud areas identified nationally.
- Continue to maintain the fraud risk register, includes identify emerging fraud risks and liaising with respective services to ensure that there are controls in place to prevent the fraud risks from materialising.

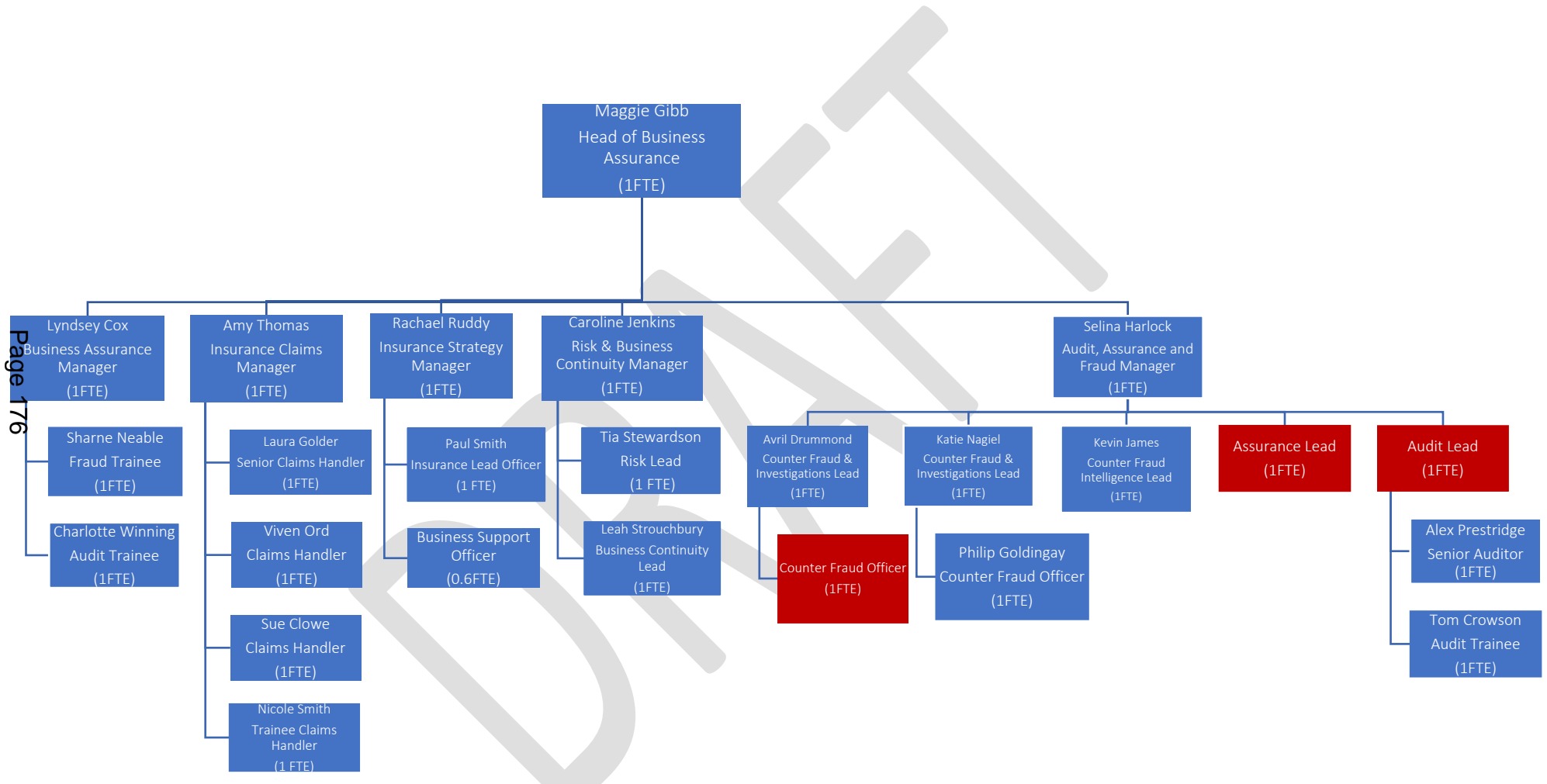
- Further enhance the fraud networking connections with key partners such as; neighbouring local authorities and housing associations within the county. Continue to chair the Home Counties Tenancy Fraud Forum; and bring all learnings into the team to improve ways of work.

## **5. Resources**

5.1 The Business Assurance Team is currently resourced with a mix of in-house staff and a partnership arrangement with the APEX London Audit Framework. The framework is hosted by the London Borough of Croydon and the audit service is currently provided by Mazars. The framework also enables us to request specialist resource such as IT auditors and contract auditors where the in-

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house team do not have the appropriate technical skills. The chart below shows the Business Assurance structure which went 'live' from 1st November 2022; and the structure shows that we currently hold three vacant posts.



**Note:** The Chief Internal Auditor has operational management responsibility for the Strategic Insurance functions, so is not wholly independent. Whilst the Insurance function is part of the structure, the work they perform is managed independently from the wide assurance activities and therefore so not form part of this strategy.



## 6 Performance Monitoring / Reporting

- 6.1 The proposed Business Assurance performance indicators for 2023/24 are attached as **Appendix 1** to this report and will form part of the Deputy Chief Executive Directorate Plan monitoring.
- 6.2 The Audit and Governance Committee will receive a quarterly report, including the next quarters plan for approval, a status update on the approved work plans, and a summary of the outcomes of completed audits.

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## Appendix 1 – Business Assurance Team Key Performance Indicators

No.	Key Performance Indicator (KPI)	2023/24 Target
1	Draft internal audit reports issued within 15 working days of exit meeting (monthly)	90%
2	Final internal audit reports issued within 10 working days of management responses (monthly)	100%
3	Internal audits completed to the satisfaction of the client (quarterly)	95%
4	Audit actions in the draft internal audit report that are accepted by the client (monthly)	90%
5	Delivery of Internal Audit Plan (annual measure)	95%
6	Corporate Reporting Timelines being met (CMT/RMG/A&G) (monthly)	95%

KPI 1 Is monitored from the date of exit meeting.

KPI 2 is monitored from the date of which the last management response(s) is/are received

KPI 3 Is a Quality assessment of work done by internal audit.

KPI 4 Quality assessment which confirms the relevance and appropriateness of the work done by internal audit through the recommendations made.

KPI 4 Combined measure which requires collaboration to agree the importance of the work of internal audit and how it strengthens the whole control framework of the Council.

KPI 5 Is a performance control which confirms the annual audit plan is completed within year.

KPI 6 is monitored through the forward plans/reporting deadlines as set corporately.

## Appendix 2 – 2023/24 Internal Audit and Counter Fraud Plan

Corporate			
Corporate Priority Link	<ul style="list-style-type: none"> <li>Increasing prosperity</li> </ul>		
Strategic Risks Link	<p><b>CMT- 01: Governance failure:</b> <i>Lack of clarity around governance arrangements. If proper governance arrangements are not clear and effective, then outcomes and objectives may not be achieved and there could be a reputational and/or financial impact on the Council with the potential for major service disruption and failure to meet statutory requirements. There can be a number of causes of governance failure such as increased pressures through number of elected members, boundary review, service pressures and the response to/recovery from the Covid-19 pandemic.</i></p> <p><b>CMT- 04: Major contract commissioning and/or market failure:</b> <i>Supply chain issues/financial viability of suppliers/poor contract management/market failure/quality assurance of providers. If there is failure in the market/supply chain/contract management, Then Service failure may result and the Council will fail to act effectively as a Commissioning Authority.</i></p>		
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
Cross-cutting	Assurance Framework	Develop a means of identify and mapping the main source of assurance across the Council and coordinating them to best effect.	N/A
	Project/Programme Support	To ensure that there is a framework in place to effectively and efficiently deliver projects/ programmes across the organisation.	HIGH
	Contract Management	To provide assurance on the management of the identified suppliers to ensure that the contract is being managed in line with Council requirements; in order to maximise their value and manage risk whilst delivering the outcomes and benefits envisaged.	HIGH
	MTFP	To evaluate the adequacy and effectiveness of the MTFP process, the review will consider the governance arrangements, the modelling, savings targets, business cases, risk management and delivery/ management of the MTFP.	HIGH

**Deputy Chief Executive**

<b>Corporate Priority Link</b>	<ul style="list-style-type: none"> <li>● <b>Increasing prosperity</b></li> <li>● <b>Strengthening our communities</b></li> <li>● <b>Protecting the vulnerable</b></li> </ul>
<b>Strategic Risks Link</b>	<p><b>CMT- 01: Governance failure:</b> <i>Lack of clarity around governance arrangements. If proper governance arrangements are not clear and effective, then outcomes and objectives may not be achieved and there could be a reputational and/or financial impact on the Council with the potential for major service disruption and failure to meet statutory requirements. There can be a number of causes of governance failure such as increased pressures through number of elected members, boundary review, service pressures and the response to/recovery from the Covid-19 pandemic.</i></p> <p><b>CMT -05: Changes in national &amp; local policy landscape:</b> <i>Government policy - If the Government introduces new policies that affect Buckinghamshire residents such as Domestic Abuse, Education Reforms, Planning Reforms, Business Rate Retention &amp; Health &amp; Social Care Integration then these may place additional pressures on Council services.</i></p> <p><b>CMT- 07: Increased external financial pressures: Central</b> <i>Government funding - local government finance reform, levelling up agenda implications, business rates reset and uncertainty over financial devolution. Level of government grants known until 2022. Beyond 2022 Council budgets likely to face increasing financial pressures.</i></p> <p><b>CMT - 06: Technology breaches/ failures:</b> <i>Lack of resilience of systems, insufficient security to support agile working, insufficient network security to prevent a cyber-attack, loss of data or breach of data protection If systems fail, data is lost, or data protection breached Then the Council will suffer severe reputational and financial damage and data could be used inappropriately.</i></p> <p><b>CMT - 08: Failure to deliver financial plans:</b> <i>Challenging MTFP process and poor budget forecasting leading to an inability to know where the authority is financially; putting considerable pressure on reserves leading to inappropriate management action.</i></p>

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Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
Policy, Partnerships & Communications	<b>Partnership Arrangements</b>	Partnerships are an effective way for the Council to achieve its objectives, but they give rise to new and different risks, which need to be recognised, evaluated and effectively managed. The review will assess the partnership arrangements in place and ensure they contribute towards the achievement of the Council’s objectives.	<b>HIGH</b>
Legal & Dem Services	<b>Legal Processes</b>	Deferred from 21/22 plan. To ensure that there are adequate arrangements in place for the services to engage with the legal team, cases are recorded, monitored and costs tracked appropriately.	<b>HIGH</b>
Major Projects	<b>Companies Governance</b>	To ensure that there are adequate governance arrangements in place to monitor the performance of the Council’s companies, to make certain that risks are effectively managed, and objectives are being achieved.	<b>HIGH</b>

**Adults & Health**

<b>Corporate Priority Link</b>	<ul style="list-style-type: none"> <li>• <b>Protecting the vulnerable</b></li> <li>• <b>Strengthening our communities</b></li> <li>• <b>Increasing prosperity</b></li> </ul>
<b>Strategic Risks Link</b>	<p><b>CMT- 01: Governance failure:</b> <i>Lack of clarity around governance arrangements. If proper governance arrangements are not clear and effective, then outcomes and objectives may not be achieved and there could be a reputational and/or financial impact on the Council with the potential for major service disruption and failure to meet statutory requirements. There can be a number of causes of governance failure such as increased pressures through number of elected members, boundary review, service pressures and the response to/recovery from the Covid-19 pandemic.</i></p> <p><b>CMT- 04: Major contract commissioning and/or market failure:</b> <i>Supply chain issues/financial viability of suppliers/poor contract management/market failure/quality assurance of providers. If there is failure in the market/supply chain/contract management, Then Service failure may result, and the Council will fail to act effectively as a Commissioning Authority.</i></p> <p><b>CMT – 05: Changes in the national &amp; local policy landscape: Government policy -</b> <i>If the Government introduces new policies that affect Buckinghamshire residents such as Domestic Abuse, Education Reforms, Planning Reforms, Business Rate Retention &amp; Health &amp; Social Care Integration then these may place additional pressures on Council services.</i></p> <p><b>CMT- 07: Increased external financial pressures:</b> <i>Central Government funding - local government finance reform, levelling up agenda implications, business rates reset and uncertainty over financial devolution. Level of government grants known until 2022. Beyond 2022 Council budgets likely to face increasing financial pressures.</i></p> <p><b>CMT - 10: Fraud and Corruption:</b> <i>Lack of controls, awareness, policies, procedures, and inability/lack of capacity to respond. If the authority is targeted either internally or externally and are unaware or unable to respond then this could result in adverse publicity, a financial loss and an inability to deliver statutory services.</i></p> <p><b>CMT – 14: Adult Social Care Statutory Services:</b> <i>Budget reductions, increased demand/insufficient capacity - If budgets and capacity are not sufficient to deliver statutory responsibilities Then there may be unintentional adverse consequences to vulnerable adults.</i></p>

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Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
Adult Social Care	<b>Charging Policy</b>	To provide assurance that the Council’s Charging Policy is being effectively applied, this will include evaluating income maximisation.	<b>HIGH</b>
Adult Social Care/ Integrated Commissioning	<b>Continuing Health Care:</b>	Review effectiveness of updated process following outcomes of the review of CHC function across the whole BOB. Audit to consider policies and procedures, client assessments/ eligibility and financial controls. This audit has been deferred for the last two years.	<b>HIGH</b>
Adult Social Care	<b>Direct Payments</b>	Review of financial controls (monitoring protocols) for all the payment methods within the Direct Payments, including use of virtual wallet.	<b>HIGH</b>
Integrated Commissioning	<b>Commissioning and Financial Management of Spot Contracts</b>	End to end process reviewing adequacy and effectiveness of controls in place – Carry Forward	<b>HIGH</b>

<b>Integrated Commissioning</b>	<b>E-brokerage</b>	End to end process reviewing adequacy and effectiveness of controls in place – Carry Forward	<b>HIGH</b>
<b>Finance</b>	<b>A&amp;H Debt Recovery (Secured Debt)</b>	As debt recovery was paused during the pandemic and the debt recovery process has been moved to Finance Operations team, the audit will be reviewing adequacy and effectiveness of controls.	<b>HIGH</b>
<b>Finance</b>	<b>Financial Controls Review</b>	Evaluation of the Scheme of Delegation to ensure that these are understood by all and effectively and consistently complied with, and decisions are taken with those with approved authority.	<b>HIGH</b>

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## Children's Services

<b>Corporate Priority Link</b>	<ul style="list-style-type: none"> <li>● <b>Protecting the vulnerable</b></li> <li>● <b>Strengthening our communities</b></li> <li>● <b>Increasing prosperity</b></li> </ul>
<b>Strategic Risks Link</b>	<p><b>CMT- 01: Governance failure:</b> <i>Lack of clarity around governance arrangements. If proper governance arrangements are not clear and effective, then outcomes and objectives may not be achieved and there could be a reputational and/or financial impact on the Council with the potential for major service disruption and failure to meet statutory requirements. There can be a number of causes of governance failure such as increased pressures through number of elected members, boundary review, service pressures and the response to/recovery from the Covid-19 pandemic.</i></p> <p><b>CMT – 02: Children's Services Ambition to be Good:</b> <i>If we fail to successfully embed our improvement activity and transformation plans for the service THEN we are unlikely to deliver upon the Council's vision to provide consistently good services to Buckinghamshire's children and young people.</i></p> <p><b>CMT- 04: Major contract commissioning and/or market failure:</b> <i>Supply chain issues/financial viability of suppliers/poor contract management/market failure/quality assurance of providers. If there is failure in the market/supply chain/contract management, Then Service failure may result and the Council will fail to act effectively as a Commissioning Authority.</i></p> <p><b>CMT- 07: Increased external financial pressures:</b> <i>Central Government funding - local government finance reform, levelling up agenda implications, business rates reset and uncertainty over financial devolution. Level of government grants known until 2022. Beyond 2022 Council budgets likely to face increasing financial pressures.</i></p> <p><b>CMT - 06: Technology breaches/ failures:</b> <i>Lack of resilience of systems, insufficient security to support agile working, insufficient network security to prevent a cyber-attack, loss of data or breach of data protection If systems fail, data is lost or data protection breached Then the Council will suffer severe reputational and financial damage and data could be used inappropriately.</i></p> <p><b>CMT - 10: Fraud and Corruption:</b> <i>Lack of controls, awareness, policies, procedures and inability/lack of capacity to respond. If the authority is targeted either internally or externally and are unaware or unable to respond then this could result in adverse publicity, a financial loss and an inability to deliver statutory services.</i></p> <p><b>CMT – 13: SEND:</b> <i>IF we do not ensure our SEND service is compliant with the objectives of the SEND reforms introduced in 2014 THEN we will not improve outcomes for children. In turn, this will impact on the outcome of our SEND inspection creating a reputational risk for the Council.</i></p> <p><b>CMT- 01: Governance failure:</b> <i>Lack of clarity around governance arrangements. If proper governance arrangements are not clear and effective, then outcomes and objectives may not be achieved and there could be a reputational and/or financial impact on the Council with the potential for major service disruption and failure to meet statutory requirements. There can be a number of causes of governance failure such as increased pressures through number of elected members, boundary review, service pressures and the response to/recovery from the Covid-19 pandemic.</i></p> <p><b>CMT- 04: Major contract commissioning and/or market failure:</b> <i>Supply chain issues/financial viability of suppliers/poor contract management/market failure/quality assurance of providers. If there is failure in the market/supply chain/contract management, Then Service failure may result and the Council will fail to act effectively as a Commissioning Authority.</i></p>

Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
Education	<b>Schools Thematic Review</b>	Schools Thematic Review – Sample of schools to be selected for review through consultation with the School Finance Team and the School Improvement Team. (8 schools planned)	<b>HIGH</b>
Finance	<b>Schools Financial Assurance</b>	Lessons learnt from previous year audits – evaluate the arrangements in place that enable effective oversight of school’s financial controls and management.	<b>HIGH</b>
Social Care	<b>Personal Budgets</b>	End to end process reviewing adequacy and effectiveness of controls in place for the administration and management of personal budgets	<b>HIGH</b>
Education	<b>School Commissioning</b>	To ensure that there is a framework in place to commission schools that meet the needs of the children in a cost-effective manner.	<b>HIGH</b>
Education	<b>SEND Process Review –</b>	End to end review of processes and evaluation of controls to identify inefficiencies in process and improvements to data quality. Deferred from 22/23 due an on-going consultation.	<b>HIGH</b>
Social Care	<b>Supported Families Programme</b>	Undertake grant certification in line with grant conditions	<b>N/A</b>
Education	<b>Related Party Transaction Assurance (SFVS)</b>	Verification work in line with DfE guidance	<b>N/A</b>



**Communities**

<b>Corporate Priority Link</b>	<ul style="list-style-type: none"> <li>• <b>Protecting the vulnerable</b></li> <li>• <b>Improving our environment</b></li> </ul>
<b>Strategic Risks Link</b>	<p><b>CMT- 01: Governance failure:</b> <i>Lack of clarity around governance arrangements. If proper governance arrangements are not clear and effective, then outcomes and objectives may not be achieved and there could be a reputational and/or financial impact on the Council with the potential for major service disruption and failure to meet statutory requirements. There can be a number of causes of governance failure such as increased pressures through number of elected members, boundary review, service pressures and the response to/recovery from the Covid-19 pandemic.</i></p> <p><b>CMT- 04: Major contract commissioning and/or market failure:</b> <i>Supply chain issues/financial viability of suppliers/poor contract management/market failure/quality assurance of providers. If there is failure in the market/supply chain/contract management, Then Service failure may result and the Council will fail to act effectively as a Commissioning Authority.</i></p> <p><b>CMT- 07: Increased external financial pressures:</b> <i>Central Government funding - local government finance reform, levelling up agenda implications, business rates reset and uncertainty over financial devolution. Level of government grants known until 2022. Beyond 2022 Council budgets likely to face increasing financial pressures.</i></p> <p><b>CMT - 06: Technology breaches/ failures:</b> <i>Lack of resilience of systems, insufficient security to support agile working, insufficient network security to prevent a cyber-attack, loss of data or breach of data protection If systems fail, data is lost, or data protection breached Then the Council will suffer severe reputational and financial damage and data could be used inappropriately.</i></p> <p><b>CMT - 10: Fraud and Corruption:</b> <i>Lack of controls, awareness, policies, procedures and inability/lack of capacity to respond. If the authority is targeted either internally or externally and are unaware or unable to respond then this could result in adverse publicity, a financial loss and an inability to deliver statutory services.</i></p>

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<b>Service</b>	<b>Audit Title/ Activity</b>	<b>Objectives/Risk/Concerns</b>	<b>RAG Per Model</b>
<b>Neighbourhood Services</b>	<b>Waste Fees &amp; Charges</b>	Review will consider all cash and income collection income financial control arrangements across waste management.	<b>HIGH</b>
<b>Integrated Transport</b>	<b>Commercial Licensing</b>	End to end review of processes and evaluation of controls on the new system.	<b>HIGH</b>
<b>Highways &amp; Technical Services</b>	<b>Major Infrastructure Projects</b>	Review the adequacy and effectiveness of the governance and risk management framework in place to manage major infrastructure projects.	<b>HIGH</b>
<b>Highways &amp; Technical Services</b>	<b>Streetworks</b>	To provide post TUPE assurance and ensure that key issues faced by the team prior to the TUPE have been addressed and processes are operating effectively and efficiently.	<b>HIGH</b>
<b>Culture, Sports &amp; Leisure</b>	<b>Tree Management</b>	To provide assurance that the Council has an appropriate governance arrangements, strategies and underlying systems to assess the condition of trees and undertake necessary treatment or works based on the outcomes of such assessments.	<b>HIGH</b>

Highways & Technical Services	<b>New Highways Contract Assurance</b>	Post go-live assurance on the new contract arrangements, ensuring there are adequate financial management, contract management, risks management and governance controls in place.	<b>HIGH</b>
N/A	<b>Grant Certification</b>	Grant Certification Work within Public Transport Services and Highways	<b>N/A</b>

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## Planning, Growth & Sustainability

Corporate Priority Link	<ul style="list-style-type: none"> <li>● <b>Strengthening our communities</b></li> <li>● <b>Increasing prosperity</b></li> <li>● <b>Improving our environment</b></li> <li>● <b>Protecting the vulnerable</b></li> </ul>		
Strategic Risks Link	<p><b>CMT- 01: Governance failure:</b> <i>Lack of clarity around governance arrangements. If proper governance arrangements are not clear and effective, then outcomes and objectives may not be achieved and there could be a reputational and/or financial impact on the Council with the potential for major service disruption and failure to meet statutory requirements. There can be a number of causes of governance failure such as increased pressures through number of elected members, boundary review, service pressures and the response to/recovery from the Covid-19 pandemic.</i></p> <p><b>CMT- 04: Major contract commissioning and/or market failure:</b> <i>Supply chain issues/financial viability of suppliers/poor contract management/market failure/quality assurance of providers. If there is failure in the market/supply chain/contract management, Then Service failure may result, and the Council will fail to act effectively as a Commissioning Authority.</i></p> <p><b>CMT – 05: Changes in the national &amp; local policy landscape:</b> <i>Government policy - If the Government introduces new policies that affect Buckinghamshire residents such as Domestic Abuse, Education Reforms, Planning Reforms, Business Rate Retention &amp; Health &amp; Social Care Integration then these may place additional pressures on Council services.</i></p> <p><b>CMT- 07: Increased external financial pressures: Central</b> <i>Government funding - local government finance reform, levelling up agenda implications, business rates reset and uncertainty over financial devolution. Level of government grants known until 2022. Beyond 2022 Council budgets likely to face increasing financial pressures.</i></p> <p><b>CMT – 08: Failure to Deliver Financial Plans:</b> <i>Challenging MTFP process and poor budget forecasting leading to an inability to know where the authority is financially; putting considerable pressure on reserves leading to inappropriate management action.</i></p> <p><b>CMT – 09: Insufficient Capacity:</b> <i>Reduced capacity and increased levels of stress If there continues to be an increase in volume of activity at the same time as resource in the organisation decreases Then there may be an impact on the wellbeing of the workforce and increased levels of stress, and a failure to deliver services.</i></p> <p><b>CMT - 10: Fraud and Corruption:</b> <i>Lack of controls, awareness, policies, procedures and inability/lack of capacity to respond. If the authority is targeted either internally or externally and are unaware or unable to respond then this could result in adverse publicity, a financial loss and an inability to deliver statutory services.</i></p>		
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
Housing & Regulatory Services	Management of the Housing Waiting list	New management structure in this area. Audit will include a review of the application, assessment and allocation process.	<b>HIGH</b>
Housing & Regulatory Services	Homelessness and Temporary Accommodation	Re-visit following the work from the assurance review, the 22/23 audit that identified a number of control gaps and any outcomes from the Task & Finish group. Q4	<b>HIGH</b>

<b>Property &amp; Assets</b>	<b>Property Maintenance and Reactive Works</b>	Audit deferred from previous audit plan End to end process reviewing adequacy and effectiveness of controls in place.	<b>HIGH</b>
<b>Planning &amp; Environment</b>	<b>Energy Contracts</b>	New framework with new governance approach, the audit will evaluate the controls in place and assess the effectiveness of the framework.	<b>HIGH</b>
<b>Property &amp; Assets</b>	<b>One Uniform Project</b>	End to End review of new processes, to ensure that there is an adequate control framework in place.	<b>HIGH</b>
<b>Planning &amp; Environment</b>	<b>HIF Highways Projects</b>	To consider new arrangements and assess effectiveness of the new control framework and ensure that there is adequate governance.	<b>HIGH</b>

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Resources			
<b>Corporate Priority Link</b>	<ul style="list-style-type: none"> <li>Strengthening our communities</li> <li>Increasing prosperity</li> </ul>		
<b>Strategic Risks Link</b>	<p><b>CMT- 01: Governance failure:</b> Lack of clarity around governance arrangements. If proper governance arrangements are not clear and effective, then outcomes and objectives may not be achieved and there could be a reputational and/or financial impact on the Council with the potential for major service disruption and failure to meet statutory requirements. There can be a number of causes of governance failure such as increased pressures through number of elected members, boundary review, service pressures and the response to/recovery from the Covid-19 pandemic.</p> <p><b>CMT- 04: Major contract commissioning and/or market failure:</b> Supply chain issues/financial viability of suppliers/poor contract management/market failure/quality assurance of providers. If there is failure in the market/supply chain/contract management, Then Service failure may result, and the Council will fail to act effectively as a Commissioning Authority.</p> <p><b>CMT- 07: Increased external financial pressures:</b> Central Government funding - local government finance reform, levelling up agenda implications, business rates reset and uncertainty over financial devolution. Level of government grants known until 2022. Beyond 2022 Council budgets likely to face increasing financial pressures.</p> <p><b>CMT - 06: Technology breaches/ failures:</b> Lack of resilience of systems, insufficient security to support agile working, insufficient network security to prevent a cyber-attack, loss of data or breach of data protection If systems fail, data is lost, or data protection breached Then the Council will suffer severe reputational and financial damage and data could be used inappropriately.</p> <p><b>CMT - 10: Fraud and Corruption:</b> Lack of controls, awareness, policies, procedures and inability/lack of capacity to respond. If the authority is targeted either internally or externally and are unaware or unable to respond then this could result in adverse publicity, a financial loss and an inability to deliver statutory services.</p>		
<b>Service</b>	<b>Audit Title/ Activity</b>	<b>Objectives/Risk/Concerns</b>	<b>RAG Per Model</b>
<b>HR &amp; OD</b>	<b>Payroll</b>	Evaluation of the key financial controls.	<b>HIGH</b>
<b>Finance</b>	<b>Key Financial Systems – Control Framework Review</b>	Evaluation of the financial control framework with assess the adequacy and completeness of the system of control	<b>HIGH</b>
	<b>Key Financial Systems Audits</b>	Evaluation of the adequacy and the effectiveness of the systems of internal control across the key financial systems: <ul style="list-style-type: none"> <li>Feeder systems</li> <li>Treasury Management</li> <li>Pensions</li> <li>CTax &amp; NNDR (Including Income Reconciliations)</li> <li>CTax Reduction Scheme</li> <li>Housing Benefits</li> <li>Purchasing Cards</li> <li>Account Payables</li> </ul>	<b>HIGH</b>

		<ul style="list-style-type: none"> <li>• Account Receivables (invoicing and debt recovery)</li> <li>• Suspense and Control Accounts</li> <li>• Budget Monitoring and Reporting</li> <li>• General Ledger</li> </ul>	
IT	<b>IT/Infrastructure Resilience – including a review of the Cyber Resilience Framework</b>	Carry forward from 22/23. A number of IT/Infrastructure resilience-related risks feature in the Council’s IT Risk Register. The audit will address; consideration of the impact of the pandemic on IT/infrastructure resilience, People, process and technology perspective, including a high-level review of the IT architecture and technology in place.	<b>HIGH</b>
IT	<b>Disaster Recovery and Backups – Per Audit Needs Assessment</b>	Carry forward from 22/23. Disaster recovery was noted as having a residual risk score of 10 in the Council’s IT risk register with a fully tested strategy and plan required to provide the Council assurance that full business continuity can be provided. This audit would test controls in regard to backup scope, frequency, offsite location, testing and recovery.	<b>HIGH</b>
IT	<b>Change/Patch Management</b>	Carry forward from 22/23. This audit will consider the following: <ul style="list-style-type: none"> <li>- Change to infrastructure and applications are governed through a consistent policy/process;</li> <li>- The change process addresses the request, impact, authorisation, testing, deployment of changes;</li> <li>- Comparison with LG peers concerning good change control practice commonly identified;</li> <li>- Patch management is undertaken across the estate in a complete, accurate and timely manner.</li> </ul>	<b>HIGH</b>

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Counter Fraud Plan			
<b>Proactive/ Probity Activity</b>	<b>NFI data matches</b>	Support services with collating the NFI data and determining an approach for prioritising the instances that require investigation.	
	<b>Blue badge abuse</b>	Investigate blue badges that have been in place for long periods and ensure that these are valid.	
	<b>Direct Payments</b>	Proactive review of financial assessments to ensure contributions are accurately assessed.	
	<b>Revenues</b>	Working with Revenues team to review CTRS, SPDs and property valuations.	
	<b>Schools</b>	Lessons learnt from 22/23 investigations to be shared with all schools and presented via schools forum.	
	<b>Fraud awareness training</b>	Hold formal sessions to groups across the Council to raise awareness of what the Business Assurance Team's responsibilities are in relation to fraud and counter-fraud, different types of fraud relative to their services, fraud risks controls and promoting the Anti-Fraud and Corruption Strategy and whistleblowing procedures etc.	
	<b>Internal Communication on Fraud</b>	Send messages across the Council to promote 'good practice' and raise awareness of potential indicators of fraud and staff responsibilities.	
	<b>Policy Reviews</b>	Review and refresh the key fraud policies, including; Anti-Fraud and Corruption Policy.	
<b>Reactive Activity</b>	<b>Assess cases referred via whistleblowing channels and investigate where necessary.</b>		
<b>Continuous Improvement</b>	<b>Enhance the intelligence gather function of the counter-fraud team.</b>		
	<b>Fraud networking and chairing of key networks</b>		
		<b>External Clients</b>	<b>No. of Days</b>
<b>BMKFA</b>	Audit plan approved and date for audit delivery agreed with the clients. Plan to be delivered by March 2024 ahead of their external audit.		110
<b>Academies</b>	Audit plans approved and key days for audit delivery agreed with the Academies		30

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## Appendix 3 – 2023/24 Supplementary Internal Audits

Corporate			
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
	<b>De-commissioning of legacy systems</b>	Ensure that there are adequate arrangements to effectively decommission systems and safeguard data, ensuring compliance with GDPR and local retention policies.	<b>MEDIUM</b>
Deputy Chief Executive			
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
<b>Policy, Partnerships &amp; Communications</b>	<b>Devolution</b>	Deferred from 21/22 plan. To evaluate the processes and procedures in place to ensure an effective transfer of services and assets to town and parish councils in line with the approved policy.	<b>MEDIUM</b>
<b>Asylum &amp; Migration</b>	<b>Afghan Resettlement – Grant Audit</b>	To ensure that the funding is being fully maximised and used in line with the grant conditions.	<b>MEDIUM</b>
<b>Asylum &amp; Migration</b>	<b>Homes for Ukraine</b>	To provide assurance that the Council has created appropriate systems to promote, support and administer the Homes for Ukraine offering.	<b>MEDIUM</b>
Adults & Health			
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
<b>Adult Social Care</b>	<b>Section 75 Mental Health</b>	Ensure that processes are in line with statutory requirements and changes to S75 have been fully implemented.	<b>MEDIUM</b>
<b>Public Health</b>	<b>Joint Strategic Assessment.</b>	To ensure that partner arrangements and the Health and Wellbeing Board are operating effectively to meet their statutory obligation.	<b>MEDIUM</b>
Children's Services			
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
<b>Education</b>	<b>Adult Learning</b>	Grant funded. Review programme compliance with Ts&Cs and monitoring of outcomes	<b>MEDIUM</b>
<b>Education</b>	<b>Fair Access</b>	To ensure that the Fair Access Protocols are operating effectively and efficiently, with adequate governance arrangements in place.	<b>MEDIUM</b>



Communities			
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
Neighbourhood Services	Household Recycling Centres	New contract in place, review of processes at the HRC; and contract management with new contractor.	MEDIUM
Neighbourhood Services	Concessionary Fares	End to end review of processes and assess the accuracy and completeness of management information.	LOW
Integrated Transport	Client Transport	To provide assurance that a robust internal control environment is in place to support the allocation, payment, and monitoring of personal travel budgets and the post-16 scheme.	MEDIUM
Culture, Sports & Leisure	Higginson Park Trust	Financial Controls Audit – review financial processes on the new system.	MEDIUM
Culture, Sports & Leisure	Farnham Park Trust	Financial Controls Audit – review financial processes on the new system.	MEDIUM
Highways & Technical Services	Section 106	Review work with parishes (link with review in progress within PG&S on S106)	MEDIUM
Planning, Growth & Sustainability			
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
Property & Assets	Building Control – New Tax Collection Process	New responsibilities delegated to the Council on tax collection – review of the process and how the collect funds are reconciled and paid	MEDIUM
Housing & Regulatory Services	Disability Facilities Grant (Use of the funding)	Review the process for commissioning housing adaptations and the use of the DFG fund. To include review of contractors used, VfM.	MEDIUM
LEP	LEP Financial Controls	Evaluation of key financial controls.	MEDIUM
Resources			
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model
HR & OD	Teachers Pensions – new system in place	New system in place, review process and controls in place	MEDIUM
Finance	Enterprise Zone	Reviewing of billing arrangements, accounting arrangements and reconciliations	MEDIUM
Finance	Accounts Payable and Accounts Receivables	Evaluation of key financial controls; including processes followed by Business Support	MEDIUM
Finance	Chip & Pin Machines Audit	Evaluation of general controls testing including security of devices	MEDIUM

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## Report to Audit & Governance Committee

<b>Date:</b>	5 <sup>th</sup> July 2023
<b>Reference number:</b>	N/A
<b>Title:</b>	<b>Contract Procedure Rules – Waivers &amp; Breaches</b>
<b>Cabinet Member(s):</b>	Cabinet Member for Accessible Housing and Resources
<b>Contact officer:</b>	Simon Davis, Head of Strategic Procurement
<b>Ward(s) affected:</b>	None specific
<b>Recommendations:</b>	<b>(i) Note this report and the work of the Strategic Procurement Team.</b>
<b>Reason for decision:</b>	Not applicable

### 1. ***Executive summary***

- 1.1 This report provides a quarterly summary in relation to compliance with the Council's Contract Procedure Rules (CPR's), compliance with the Public Contracts Regulations 2015 as well as summarising waivers and breaches.

### 2. ***Background***

- 2.1 The last report to Audit & Governance was presented on 1<sup>st</sup> February 2023 and covered the period of 1<sup>st</sup> October 2022 until 31<sup>st</sup> December 2022, the third quarter of financial year 22-23. This report covers the fourth quarter, January to March 2023. The Council is subject to Procurement Legislation when entering into contracts with suppliers. These laws must be followed regardless of the types of goods, services or works.

### 3. **Contract Procedure Rules relating to Contracts, Waivers and Breaches**

- 3.1 The Contract Procedure Rules (CPRs) state that Corporate Directors are responsible for procurement exercises and contract management activities. This responsibility is then delegated to Service Directors and Heads of Service through formal schemes of delegation.
- 3.2 The Procurement & SRM Team provide a monthly report of all contracts on CMA that are coming up for renewal over a 2-year timescale. This is reported to the directorate budget boards as part of a monthly Procurement to ensure that there is transparency of the pipeline of contracts that are coming up for renewal, allowing sufficient time to consider the approach to the market and ensuring that the procurement process is adequately resourced by directorates. As well as the pipeline of contracts; general contract information, the level of completeness of CMA and purchasing card spend is reported for each directorate to the relevant budget board.
- 3.3 In addition to this, a quarterly update report of all contracts over £50k due to expire within the next 18 months is sent to Contract Managers, which the team pro-actively follow up to ensure appropriate action is being taken.
- 3.4 When a waiver is requested, service areas are required to complete mandatory actions to reduce the risk of future waivers and breaches. Compliance checking is undertaken to ensure these actions are followed up and that those members of staff involved in purchasing activity are both adequately trained and ensuring contracts are up to date.
- 3.5 Rules 6.31 to 6.37 state that all purchases over £25K (inc. VAT) must be subject to competition. Where the estimated whole life cost of a contract is:

<b>Up to and including £25,000 for Goods, Services and Works:</b>	A minimum of <b>1 written quotation</b> is required. This can be a written confirmation by an officer of an oral quotation. Where possible local suppliers should be given the opportunity to bid.
<b>Over £25,000 and up to the <u>Procurement Threshold</u> for Goods &amp; Services (including the Light Touch Regime):</b>	A minimum of <b>3 written quotations</b> requested. Where possible local suppliers should be given the opportunity to bid.
<b>Over £25,000 and up to the <u>Procurement Threshold</u> for Works:</b>	A minimum of <b>4 written tenders</b> requested. Where possible local suppliers should be given the opportunity to bid.
<b>Relevant <u>Procurement Threshold</u> and over:</b>	Full Tender Process or compliant Framework Agreement.

**Table1: Internal Thresholds – All thresholds now include VAT**

3.6 Rule 6.18 allows a Waiver to the requirement for competition and allows a contract to be placed by direct negotiation with one supplier. This needs to be agreed and documented in advance. Waivers under this Rule, however, cannot be granted if over the relevant legal procurement thresholds shown below.

<b>£213,477</b>	The goods and services threshold
<b>£5,336,937</b>	The works threshold
<b>£663,540</b>	The Light Touch Regime (LTR) threshold (This is a procurement regime for social and other specific services such as social care; education services; healthcare)

**Table 2: Relevant Legal Procurement Thresholds effective Jan 2022 (including VAT)**

3.7 If a direct award is made which is above the relevant procurement threshold (if a legal alternative such as a Framework is not used) or a contract has rolled on after its end date then a breach has occurred, and officers are obliged to report this to the S151 Officer and Monitoring Officer (statutory officers). In some instances, there may be legally permitted changes within the Public Contracts Regulations 2015, for instance to cover emergency provisions.

#### 4. Waivers Summary January 2023 – March 2023

	QUARTER 4 - 22/23		
	NO. REGISTERED	WAIVER VALUE	WAIVER RISK RATING
<b>ADULTS &amp; HEALTH</b>			
Adult Social Care	1	£65,000.00	Medium
Integrated Commissioning	1	£119,229.00	Medium
Integrated Commissioning	1	£1,244,275.00	Medium
<b>ADULTS &amp; HEALTH Total</b>	<b>3</b>	<b>£1,428,504.00</b>	
<b>CHILDRENS SERVICES</b>			
Adoption Services	1	£404,400.00	Medium
Integrated Commissioning	1	£1,460,779.00	Medium
<b>CHILDRENS SERVICES Total</b>	<b>2</b>	<b>£1,865,179.00</b>	
<b>COMMUNITIES</b>			
Licensing	1	£40,000.00	Low
North Waste Collection and Street Scene	1	£72,000.00	Low
<b>COMMUNITIES Total</b>	<b>2</b>	<b>£112,000.00</b>	
<b>DEPUTY CHIEF EXECUTIVE</b>			
	0	0	N/A
<b>DEPUTY CHIEF EXECUTIVE Total</b>	<b>0</b>	<b>£0.00</b>	
<b>PLANNING, GROWTH &amp; SUSTAINABILITY</b>			
Economic Growth & Regeneration	1	£103,872.00	Low
Housing and Regulatory Services	1	£90,420.00	Low
Housing and Regulatory Services	1	£104,550.00	Low
Housing and Regulatory Services	1	£1,154,475.00	Medium
Property & Assets	1	£39,000.00	Low
Property & Assets	1	£42,000.00	Low
Strategic Flood Management	1	£52,919.00	Low
Strategic Flood Management	1	£89,855.00	Low
Strategic Transport & Infrastructure	1	£180,000.00	Low
<b>PLANNING, GROWTH &amp; SUSTAINABILITY Total</b>	<b>9</b>	<b>£1,857,091.00</b>	
<b>RESOURCES</b>			
Revenues & Benefits	1	£110,400.00	Low
<b>RESOURCES Total</b>	<b>1</b>	<b>£110,400.00</b>	
<b>GRAND TOTAL</b>	<b>17</b>	<b>£5,373,174.00</b>	<b>Low 11 Medium 6</b>

**Table 3: Summary of Waivers for Q4 2022/23**

4.1 Table 3 above shows the number of contract waivers granted in the last quarter to March 2023. The total value of £5.373m represents 1.3% of the Councils 2022/23

revenue spend, excluding payroll, grant payments to 3<sup>rd</sup> parties and non-contract spend. Appendix 1 sets out the number of waivers and contract values over the last four quarters to analyse any trends over the last 12-month period. The Procurement Team is continuing to work closely with Directorates in 2023 through their monthly Budget Boards with a more granular level of data including the forward-looking procurement pipeline timelines, so that we can encourage better planning and procurement preparation and facilitate a reduction in the number of waivers coming through.

#### 4.2 The high value waivers were in respect of:

Adults & Health - Homes for Living / Options for Support (Hightown Housing Association):

This waiver has enabled 2 interim service contracts to be put in place, both of which fall under the Light Touch Regime (LTR) threshold. LTR is a specific set of rules which apply to health care, social care, education, cultural and certain other services defined in the Procurement Regulations. The interim contracts have been put in place for a short period only (until August 2023 and November 2023 respectively) to enable the fully compliant procurement process of the long-term solution to be completed.

Childrens Services – Children and Young People’s Integrated Therapy Services (Buckinghamshire NHS Healthcare Trust):

This is a co-commissioned service with Health and as such decisions have taken longer than originally planned during the procurement process leading to the need to extend the existing contract for a period of 3 months to the end of December 2023 to enable the procurement process to be fully completed.

Planning Growth & Sustainability - Temporary Accommodation (Garden Court Hotel):

The waiver has been requested due to the lack of competition that meets the location and volume requirements to meet the significant current demand. Other major facilities in the area have been approached by the service and all three declined to provide the service. The service is working hard to deliver alternative temporary accommodation requirements but will take time to deliver and alternative approaches to secure short-term provision are being explored.

## 5. ***Breaches to Public Contracts Regulations 2015***

### 5.1 No breaches have been reported to the Statutory Officers in the period since the last report.

- 5.2 At the Audit and Governance meeting in July a request was made for the actions Procurement had taken on incidences of past breaches. This was presented to the Committee at its meeting on 1st February 2023.

## **6. *Publication of Opportunities and Award Notices***

- 6.1 The Public Contracts Regulations 2015 require Local Authorities to publish contract opportunities and award notices on the Government website Contracts Finder where the value is above their own quotation threshold. Over the relevant legal procurement threshold these must be advertised on the 'Find a Tender Service'.
- 6.2 The Local Government Transparency Code 2015 requires all contracts with a value of £5K and higher to be published. The Council meets this requirement and uploads all contracts to its internal Contract Management Application (CMA) to ensure it has oversight and governance on all procured contracts.
- 6.3 The Cabinet Office monitors potential breaches raised by suppliers via a Procurement Review Service (previously the Mystery Shopper Service). Procurement Review Service will contact public bodies to investigate any potential breach and ask for any evidence. The Procurement Review Service shall then make a ruling on the proposed course of action including any lessons for the future. The Council has not been subjected to any investigation by the Cabinet Office Procurement Review Service for this period.

## **7. *Procurement & Contract Management Training***

- 7.1 An additional 83 training sessions have been attended in Q4 2022/23 bringing the 2022/23 total so far to 341 and a cumulative total since 1st April 2020 to 1,479.
- 7.2 We also developed and launched a new 'Tender Process' module in March which encompasses an overview of the regulations and things to consider; the tender documents; tendering timeline; step-by-step review of the Open Procedure.



<b>Training Courses</b>	<b>FY 20/21</b>	<b>FY 21/22</b>	<b>FY 22/23</b>
Understanding Procurement	182	176	115
Understanding G-Cloud (launched April 2022)	0	0	31
Tender process (launched March 2023)	0	0	11
Pro-Contract e-Sourcing Tender portal	91	66	55
Modern Slavery in the Supply Chain training	108	32	43
Contract Management Development (CMD)	61	103	52
Contract Management Application (CMA)	119	72	74
Best Practice Self-Assessment training	44	21	23
<b>Total</b>	<b>605</b>	<b>470</b>	<b>404</b>

**Table 4: Summary of Procurement & SRM training to 31<sup>st</sup> March 2023**

## **8. Procurement Legislation Changes**

8.1 In May 2022 the Procurement Bill was published in Parliament. CMT received a previous update in June on the proposed Bill. The proposed date for the Bill to clear the legislative process is Spring 2024. Procurement have established a project in readiness that will be rolled out once the Bill is finalised and updates on progress and deliverables will be given.

## **9. Next steps and review**

9.1 Regular updates are provided to Audit and Governance Committee on procurement waivers and breaches.

## **10. Background papers**

10.1 None.

## **11. Your questions and views (for key decisions)**

11.1 If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider, please inform the democratic services team. This can be done by email to [democracy@buckinghamshire.gov.uk](mailto:democracy@buckinghamshire.gov.uk).

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## Waivers Summary Table

	Quarter 1 FY 22/23		Quarter 2 FY 22/23		Quarter 3 FY 22/23		Quarter 4 FY 22/23	
Directorate	No. of Waivers registered	Total Value	No. of Waivers registered	Total Value (inc. VAT)	No. of Waivers registered	Total Value (inc. VAT)	No. of Waivers registered	Total Value (inc. VAT)
ADULTS & HEALTH	4	£347,058.00	2	£1,407,135.25			3	£1,428,504.00
CHILDRENS SERVICES	1	£144,329.60	2	£245,000.00	2	£80,197.20	2	£112,000.00
COMMUNITIES	2	£70,383.96	3	£1,458,181.60	2	£6,046,576.00	2	£1,865,179.00
DEPUTY CHIEF EXECUTIVE								
PLANNING, GROWTH & SUSTAINABILITY	4	£322,295.78	5	£2,767,199.52	6	£395,723.14	9	£1,857,091.00
RESOURCES	4	£1,642,196.62	1	£18,000.00			1	£110,400.00
<b>TOTAL</b>	<b>15</b>	<b>£2,526,263.96</b>	<b>13</b>	<b>£5,895,516.37</b>	<b>10</b>	<b>£6,522,496.34</b>	<b>17</b>	<b>£5,373,174.00</b>

*Waivers over the last 12 months*

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