Audit and Governance Committee agenda

Date: Tuesday 25 January 2022

Time: 10.00 am

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

Membership:

R Newcombe (Chairman), D Anthony, R Carington, A Christensen, L Clarke OBE (Vice-Chairman), T Dixon, M Dormer, C Etholen, D Goss, M Hussain, S Rouse and N Thomas

12	**Action Log**	**255 - 258**
13	**Exclusion of the public** To resolve that under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act. Paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information)	
14	**Contract Exemptions & Breaches (6 months report)**	**259 - 262**
15	**Action Log (confidential)**	**263 - 266**
16	**Confidential Minutes** To approve as a correct record the confidential minutes of the meeting held on 18 November 2021.	**267 - 268**

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: Craig Saunders - democracy@buckinghamshire.gov.uk

Audit and Governance Committee minutes

Minutes of the meeting of the Audit and Governance Committee held on Tuesday 30 November 2021 in The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF, commencing at 10.00 am and concluding at 12.25 pm.

Members present

R Newcombe, L Clarke OBE, D Anthony, T Dixon, D Goss, M Hussain and N Thomas.

Others in attendance

E Gemmell.

Apologies

R Carington, A Christensen, M Dormer, C Etholen and S Rouse.

Agenda Item

1 Declarations of interest

There were none.

2 Minutes

RESOLVED –

That the Minutes of the meeting held on 29 September, 2021, be approved as a correct record.

3 Annual business continuity management update

The Committee received a report on the current status of Business Continuity Management (BCM) and Business Continuity Plans (BCP) across the Council. BCM was the capability of an organization to continue the delivery of its priority activities within acceptable timeframes and to pre-defined levels during a disruption affecting the Council. For the Council, as a 'Category One responder' under the Civil Contingencies Act, there was a statutory duty to have both BCPs and Emergency Plans in place, with staff trained and exercised to respond.

Within the Council's BCM process Directorates undertook a Business Impact Analysis to understand and mitigate the impact to the organization of losing specified activities over given timeframes in order to identify which activities should be considered Priority Activities and while doing so confirming key continuity / recovery

timeframes.

To ensure robust BCM, the Council needed to ensure that all Teams and Services had effective BCPs in place. The Covid-19 pandemic had been a thorough test of the Council's BCM and Emergency Response processes and had demonstrated the organizational ability to respond and the resilience to do so over an extended period of time.

The next year for the Council would continue to be critical, delivering on post Covid-19 recovery, ever challenging budgets, and unitary transformation. The report further set out the Council's preparedness should it be faced with a large-scale emergency response and/or a number of smaller local incidents. This included information on the status of BCM and the current status of Service Area BCPs as of Novembver 2021. Across the 6 Directorates there were 92 BCPs of which 76 (84%) were complete (green), 16 (16%) were work in progress (amber), with no Service Areas not having a BCP in place.

Amber BCPs were as follows:
- Adults Social Care – 8 plans required review following a ASC restructure.
- Deputy Chief Executive – 1.
- Communities – 3.
- Planning, Growth and Sustainability – 4.

Each Service had mitigations in place whilst the full BCPs were developed by using legacy BCPs.

Work was currently being undertaken to transfer all BCPs into the corporate BCM system, Clearview, so that users could fully utilize all the benefits of the system including improved reporting and dashboard features. The Clearview rollout was being project managed by the Business Management Function, Resources, with support of the CCU. As part of the CCU Service review it had likely that corporate responsibility for BCM would move to Business Assurance with the Corporate Finance Service.

Members sought additional information and were informed:
- That it would be possible for documents in the Clearview system to be version controlled, for clarity.
- That the amber BCPs would be completed as soon as was possible. The BCPs for the Adults and Health area (8) were in progress and reflected the new teams following ASC re-structure.
- That BCPs were usually reviewed annually depending on the Service area, but would be more frequent if the Council needed to prepare for any emerging threats or after a major incident.
- **ACTION LOG**: ADD issue – that target completion dates be provided for the BCPs being undertaken in the Communities and PG&S areas.
- An explanation was provided of the Incident Management process which led to the invoking of an Incident Management meeting chaired by the relevant

Corporate and Service Directors.

- That in some instances, elements of a BCP could be rolled up into a higher level plan, this was a judgement call for the relevant Service Director.

Members agreed that given the recent instance of power failures in the north of the UK, it would be sensible to keep hard (paper) copies of BCPs and not rely solely on electronic copies.

RESOLVED –

(1) That the current status of Business Continuity Management and Business Continuity Plans across the Council be noted.

(2) That Business Continuity Management arrangements should include having hard (paper) copies of BCPs and not rely solely on electronic copies.

(3) That it be noted that the lead responsibility for Business Continuity Management would transfer to Business Assurance in December 2021, subject to the CCU consultation outcome.

4 Treasury management mid-year update 2021/ 2022

In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Regulations, the Council was required to provide the Audit and Governance Committee with a mid-year report on the treasury management activity for the first six months of the financial year.

The Code of Practice defines Treasury Management as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Committee received a report on the current year's treasury management activity for the first six months of the financial year. This included a summary of the Council's borrowings and on the treasury cash (investments) position.

In the current economic climate it was considered appropriate to keep investments short term to cover cash flow needs. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks. It was now impossible to earn the level of interest rates commonly seen in previous decades as all short term money market investment rates have only risen weakly since the Bank Rate had been cut to 0.10% in March 2020. Given this environment and the fact that Bank Rate might only rise marginally by mid-2022, investment returns were expected to remain low.

The Council continued to pursue a strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to

reduce risk. The Council would continue the strategy of internal borrowing while it made sense to do so. There continued to be a shortage of counterparties available in the inter-local authority market, although the Council had been able to place several deals of six months duration earning a marginal premium for locking out the maturity date. Over the next few months the Council would continue to seek these opportunities achieving a marginal premium as the market prices in the anticipated interest rate increase.

In overall budget terms, the Council was forecast to be £1.000m net better off during the year, despite an underachievement of £0.426m on treasury investment returns due in part to low rates of interest available and a need to invest surplus cash short term to help manage cashflow risk during the pandemic. Another factor, however, was the continuation of the Council's strategy to use surplus cash instead of borrowing, keeping external financing costs low.

Following a competitive tendering process, Link Treasury Services Limited (Link) had been appointed as the Council's treasury advisor with effect from 1 August 2021. Link had provided a training session for members of the Audit & Governance Committee in September and were currently reviewing the Council's treasury management strategy, including investment counterparties and borrowing requirements.

Member sought additional information and were informed that interest rate swaps were not currently part of the Council's Strategy nor used by the Council, although it might be possible to include it for future years. Before doing so, it would be advisable to discuss any possible risks and implications with the Council's treasury advisor.

It was clarified that the value-weighted average credit rating of the investment portfolio meant that the Council had a below average exposure to credit risk.

RESOLVED –

That the Treasury Management mid-year report for 2021/22 be noted.

5 Full Council motion – climate change and risk management

A notice of motion had been submitted to the 15 September 2021 Council meeting by Councillor Gemmell proposing that all Risk Registers for the Council, all departments within the Council and in all associated bodies over which the Council had influence to be updated to include "climate risk" or "risk from climate change". Council had voted to refer the motion to the Audit and Governance Committee, as the relevant body that regularly monitored the Council's risk registers and risk management activities.

The Committee received a report commissioned by the Head of Business Assurance to include the current recording and reporting of climate change risks across the council, benchmarking against other local authorities and recommendations for the

future development of climate change risk management.

The Council maintained a Strategic Risk Register that was owned by the Corporate Management Team (CMT). A risk relating to Climate Change was included in the Strategic Risk Register, with mitigating actions identified. The risk and related actions were reviewed and updated by CMT on a six-weekly basis and reported to the Risk Management Group as a standing agenda item.

A key mitigating action was the Council's Climate Change and Air Quality Strategy which had recently been adopted by Cabinet and set out the approach to addressing climate change and air quality across Buckinghamshire, including targets for emissions reduction from the Council's direct operations.

Each of the Council's six directorates had established risk management process in place, with key service risks escalated to directorate leadership teams for consideration. At present the Resources directorate had identified two risks relating to climate change, and the Communities directorate had identified one risk relating to climate change. Directorate and service risk registers tended to contain risks which may develop over the next couple of years, whereas the Strategic Risk Register detailed more long-term risks such as climate change.

Further information was provided in the report on risk management work undertaken by the Council across networking groups, including benchmarking with other authorities across the south east of England, as well as following guidance from professional bodies such as the Association of Local Authority Risk Management (ALARM).

The report stated that the Council recognized climate change as a significant risk, and it would continue to identify directorate related risks through the corporate risk management process. The Corporate Risk Lead had identified a number of potential climate change risks by directorates going forward that could potentially be included in the strategic or directorate risk registers. A description of these risks was included at paragraph 2.10 of the report.

Councillor Gemmell addressed the Committee and stressed the importance of the Council taking all possible actions it could to mitigate the impact of climate change, as detailed in his Notice of Motion. Members sought additional information and were informed:

- that the Council benchmarked against the South East of England Risk Group which included London Boroughs, which quarterly compared strategic risk information.
- that the Council's risk framework was currently being reviewed by CIPFA, which might identify areas for improvement. Any actions would be reported back to the Risk Management Group and to the Audit and Governance Committee.
- that local authorities were awaiting for new procurement rules, which would include on climate change, following the UK leaving the European Union.

RESOLVED –

(1) That the approach to Climate Change risks in the Council's Risk Registers be agreed, as detailed in the Committee report.

(2) That any actions or issues identified in the CIPFA review be reported to the Risk Management Group and the Audit and Governance Committee.

6 IT Audit update

The Committee received an update from Mazars that the IT Audit update work was continuing. The current direction of travel was good. Further work would look at arrangements in place regarding cyber security. One of the common risks associated with this was looking at whether the Council had sufficient resource (people) and was proactive to implement measures to prevent attacks. The recent IT outage caused through IT equipment overheating in a room at the Wycombe offices would be discussed with the Business Assurance Manager.

RESOLVED –

That the report be noted.

7 Farnham Park Sports Fields Charity Annual Report and Financial Statements 20/ 21

The Committee received a report and were informed that the Farnham Park Sports Fields Charity accounts had been audited by Azets Audit Services. The auditors' report (Appendix 1) was draft and could change once the outstanding audit work had been completed and finalised. The draft Annual Report and the Financial Statements for the year ended 31 March 2021 had been prepared in accordance with the requirements of the Charities Act 2011 and had adopted the provisions of Accounting and Reporting by Charities Statement of Recommended Practice and Financial Reporting Standards.

The net worth of Farnham Park Sports Fields Charity had decreased by £226k from £678k in 2020 to £452k in 2021, of which £73k was depreciation of assets. The net operating expenditure for the year was £226k compared to £328k in 2019/20. COVID-19 restrictions had a significant negative impact on the Charity's income during FY 2020/21, with the golf course facilities closed between late March 2020 and mid-May 2020, early November to early December 2020, and subsequently from early January 2021 to 29 March 2021, as a result of the national lockdowns; and social distancing restrictions in place during the limited period that the course was able to open. Catering and functions income were similarly impacted because of the national restrictions for hospitality, with even longer periods of closure required; and the sports fields, in common with the majority of playing field facilities, suffered from the restrictions in place on team sports. Mitigation of £384k for some of these income losses had been received through the Government's Support Scheme which improved the overall net operating loss compared to the prior year.

While operating costs had been reduced wherever possible, savings at the golf course and playing fields during the periods of national lockdowns were limited, since the sites had to be maintained ready for a return to play, to avoid future loss of income. Staff vacancies were left unfilled during the financial year, with the remaining team working flexibly; this included the redeployment of staff members to the Council's wider Covid response whenever possible, including to help with managing unprecedented numbers of visitors to Country Parks, and to support surge testing.

A summary of the other actions taken to reduce costs and generate additional income were included at paragraph 1.6 of the report. As reported to the Committee in March 2021, provision had made within the Council's MTFP 2021/22 for growth to cover the Trust's projected operational losses. Work was also in hand to review the future operating arrangements with a focus on increasing financial sustainability, with the Service Improvement team currently undertaking an initial options appraisal to inform recommendations to CMT and Members.

Members sought additional information and were informed:

- that the audit work was still not complete as a bank reconciliation of £21k needed to be sorted. The Committee was being asked to approve the accounts as long as they were not subject to any material changes.
- that any future loans made to the charity would have regard to the Council's Leisure Strategy, and also be subject to a valid business case.
- on the status of the repayment of outstanding loans made by the Council to the charity, and on the payment of pension contributions for staff.
- on the proactive work being done to increase financial sustainability. It was commented that due to the size of the club house it was not able to support outside functions.

Having reviewed the Farnham Park Sports Fields Charity audited Annual Report and Financial Statement for the year ended 31 March 2021 and raised issues which Members felt they needed assurance on, it was –

RESOLVED –

(1) That the Service Director – Corporate Finance (and Section 151 Officer), following consultation with the Chairman of the Audit and Governance Committee, be authorized to make any final amendments to the Accounts arising from outstanding audit work, as long as these changes were not material, prior to the approval of the accounts by the auditor.

(2) That a verbal update be provided to a future meeting on the outcomes of the outstanding audit work (ACTION LOG).

8 Chartered Institute of Public Finance and Accountancy (CIPFA) Review

Members were informed that CIPFA would be attending the next meeting to present

the findings of their review.

RESOLVED –

That the report be noted.

9 Risk Management Group update

The Committee received an update on the Risk Management Group (RMG) meeting held on 8 November, 2021. The RMG had considered a report from the Deputy Chief Executive (Monitoring Officer) on the Secondary School Transfer Results Systems failure and would be receiving a further fuller report on the matter in due course. A summary of findings relating to risk management, business continuity planning, systems governance, major incident response and communications had been produced, along with recommendation for next steps.

The Corporate Director for Adults and Health, Service Director for Adult Social Care, Strategic Business and Governance Manager and the Head of Finance had all attended the meeting to present the Adults and Health Directorate Risk Register. The key risk themes and issues discussed were highlighted in the report.

Members raised a query relating to mitigations being put in place as part of the IT Risk Register, in particular, relating to a BT Hardware and System Outage at one of the legacy District Council sites. As reported earlier in the meeting, the Business Assurance Manager would be discussing this with Mazars.

RESOLVED –

That the report be noted.

10 2021/22 Business Assurance Strategy Update (incl. Internal Audit Plan)

The Committee received an update report on the 2021/22 Business Assurance Strategy, including progress against the Internal Audit Plan. The 2021/22 Internal Audit Plan had been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working around the service reviews that were currently in progress.

Quarterly Business Assurance updates were presented to each Directorate Leadership Team providing updates on the planned audit and assurance activity, which were reviewed for appropriateness each time. Views were sought of the directorates on the work of the Business Assurance Team to enable continuous improvement and ensure that we are meeting the needs and expectations of the organisation as best we can. Progress against strategy had been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director of Legal Services).

Members sought additional information and were informed on the following:-

- that it was expected that the 10 outstanding actions relating to schools

would be completed by year-end close.

- that while 40% of audit actions were completed late, progress made against them was regularly reviewed with Directorates. it was anticipated that this situation would improve for next year.

ACTION LOG: Councillors be invited to submit areas which might benefit from internal audit review, when the 2022/23 Internal Audit Plan is being put together.

RESOLVED –

That the report be noted.

11 2020/21 Annual Report of the Chief Internal Auditor

The Committee received a report outlining the internal audit and other assurance work undertaken by the Business Assurance Team for the year ending 31 March 2021, which also sought to provide an opinion on the adequacy of the control environment for Buckinghamshire Council. The following sections of the report were highlighted:

- That the Annual Governance Statement (AGS) would be reported to the next meeting.
- Para 1.3 – explained the updated CIPFA Statement on the role of the Chief Internal Auditor in Local Government in delivering a number of strategic objectives for the Council.
- Para 2.1 – Section 151 of the 1972 LGA and the Accounts and Audit Regulations 2015 set out the requirement for all local authorities to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices.
- Para 2.2 – set out the responsibilities for management within the Council.
- Section 4 – Basis of Audit Opinion was explained including the issues considered by the Chief Internal Auditor in reaching an overall opinion.
- Para 4.4 explained the risk based approach taken to internal audit work to reach the overall opinion.
- Para 5 – explained the impact and significant interruption caused by Covid-19 to routine internal audit work, and how this had been managed.
- Section 6 (**Chief Internal Auditor opinion**) – this section state that based on the work performed, experience, and the current Covid-19 climate in which the Council was operating along with the on-going service transformation programme which was fundamental for the organisation, it was the opinion of the Chief Internal Auditor that the adequacy and effectiveness of the Council's internal control, risk management and governance framework was of **reasonable assurance**. The overall system of internal control facilitated the effective exercise of the Council's functions and provided an **unqualified** opinion regarding the effective, efficient and economic exercise of the Council's functions for 2020/21.

Members sought additional information and were informed:

- That as none of the Council's maintained schools had been subject to an internal audit review during 2020/21 due to Covid-19 risks, therefore the opinion on their control environment had been limited to the Covid-19 risk assessment assurance. it was anticipated that schools' audit work would recommence

during the next year.

- On the actions and work that had been undertaken relating to the SAP financial system when the new Council had been formed.

RESOLVED –

That the report be noted.

12 Work programme

The Committee considered their current work programme. It was noted that confirmation would be sought with the Service Director – Legal and Democratic Services on a RIPA report to come to the Committee. A resolution had finally been reached with the external auditors for the 2019/20 District audit fees that had seen a £69K reduction in the audit fee.

RESOLVED –

That the work programme be noted.

13 Action log

RESOLVED –

That consideration of the Action Log be deferred until the next meeting.

14 Exclusion of the public

RESOLVED –

That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item(s) of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act.
Item 16 – Action Log (confidential)
Item 17 – Confidential Minutes of the meeting held on 29 September 2021
Item 18 – Annual Report of the Chief Internal Auditor 2020/21 – Summary of Completed Audits and Audit Action Tracker

The items include Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Paragraph 3, Part 1 of Schedule 12A, Local Government Act 1972) (The need to maintain the exemptions outweighs the public interest in disclosure, because disclosure could prejudice the Council's position in any future process or negotiations).

15 Action log (part 2)

RESOLVED –

That the current Action Log (confidential) be noted.

16 Minutes (part 2)

RESOLVED –

That the confidential Minutes of the meeting held on 29 September 2021 be approved as a correct record.

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Report to Audit and Governance Committee

Date: 25th January 2022

Reference number:

Title: APPOINTMENT OF EXTERNAL AUDITORS

Relevant councillor(s): N/A

Author and/or contact officer: Richard Ambrose (Section 151 Officer)

Ward(s) affected: Not applicable

Recommendations:

(i) The Committee are asked to note the content of the report.

(ii) To recommend to Full Council to opt into the arrangements offered by Public Sector Audit Appointments (PSAA) for the appointment of the External Auditors from April 2023 (Option 1).

Reason for decision: The Local Authority Audit and Accountability Act 2014 requires the decision of Full Council if it is to opt for the sector-led approach. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council/Authority needs to return completed opt-in documents to PSAA by 11 March 2022.

Executive summary

1.1 The report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. The current auditor, Grant Thornton, were appointed as external auditors of the new unitary authority by PSAA until the end of 2022/23.

1.2 The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Value for Money assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

1.3 The Council has a choice of the way that it can appoint its external auditors as summarised below: -

i. Option 1: National Auditor Appointment Scheme - opt into the arrangements offered by PSAA – benefits are detailed in paragraphs 1.8.
ii. Option 2: Own procurement arrangement following the procedures in the Act – Challenges are detailed in paragraph 1.9.
iii. Option 3: To act jointly with other authorities to procure an auditor following the procedures in the Act – Challenges are the same as Option 2 above.

Content of report

1.4 PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022. The council will need to decide whether to procure its own external auditor or opt into the national procurement framework conducted by PSAA.

1.5 As the client in the contract, a council has little influence over what it is procuring. The nature and scope of the audit is determined by codes of practice and guidance and the regulation of the audit market is undertaken by a third party, currently the Financial Reporting Council. Essentially, Councils find themselves operating in what amounts to a suppliers' market and the client's interest is at risk of being ignored unless we act together.

1.6 Everyone, even existing suppliers, agrees that the supply side of the market needs to be expanded, which includes encouraging bids from competitor firms. PSAA, the body nominated by the Government to run the national arrangements, has suggested various ways this could be done, but these initiatives are much more likely to be successful if a large number councils sign up to the national scheme.

1.7 It is, therefore, vital that councils coordinate their efforts to ensure that the client voice is heard loud and clear. The best way of doing this across the country is to sign up to the national arrangement.

The national auditor appointment scheme

1.8 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members. In summary the advantages of the national opt-in scheme are:

i. PSAA has now built up considerable expertise and experience from the first contract when circa 99% of Council's opted in and has been working hard to address the issues that have arisen over the last couple of years;

ii. the Government's selection of PSAA as the appointing person for a second cycle reflects the Department for Levelling Up, Housing and Communities (DLUHC) (former MHCLG) confidence in them as an organisation;

iii. PSAA has worked very closely with DLUHC to enable the government to consult on changes to the fees setting arrangements to deal better with variations at national and local level, hopefully resulting in more flexible and appropriate Regulations later this year;

iv. PSAA has sought views from the sector to help inform its detailed procurement strategy;

v. PSAA are likely to have more negotiating advantage on both quality and price. It can seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;

vi. PSAA can continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);

vii. ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;

viii. consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;

ix. consulting with Council on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk;

x. minimising the scheme management costs and returning any surpluses to scheme members; and

xi. ongoing contract and performance management of the contracts once these have been let.

Own or Joint procurement scheme

1.9 A council procuring its own auditor or procuring through a joint arrangement means setting up an Audit Panel to oversee the procurement and running of the contract. The members of the panel must be wholly, or majority independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council external audit. In addition to this there are further challenges which are summarised below:

i. The procurement process is an administrative burden on council staff already struggling for capacity. Contract management is an ongoing burden;

ii. The service being procured is defined by statute and by accounting and auditing codes. Therefore, as an organisation we would not be able to have more influence over auditors if we procure our own or through the national scheme;

iii. Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners (KAP);

iv. The Council would not be able to prioritise its audit over others as Auditors are running at full capacity and have to deploy resources according to their assessment of audit risks in accordance with professional standards. Hence, we will find ourselves in the same queue as those within the national arrangement; and

v. Since the last procurement it is now more obvious than ever that we are in a 'suppliers' market' in which the audit firms hold most of the levers.

Other options considered

1.10 See paragraph 1.3.

Legal and Financial implications

1.11 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

1.12 There is a risk that current external audit fee levels could increase when the current contracts end. The scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

1.13 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering a large-scale collective procurement arrangement.

1.14 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

Corporate implications

1.15 Not applicable

Consultation and communication

1.16 Not applicable

Next steps and review

1.17 Recommendation to the Full Council.

1.18 Once approved, need to notify PSAA formally of acceptance of invitation to opt in by 11th March 22.

Background papers

1.19 Not applicable

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Report to Audit and Governance Committee

Date: 25th January 2022

Title: **Buckinghamshire Council draft Statement of Accounts 31st March 2021**

Author and/or contact officer: Richard Ambrose – S151 Officer

Rachael Martinig – Pensions and Investments Accountant

Recommendations: Members are requested to:

(i) Note the Buckinghamshire Council draft Statement of Accounts 2020/21 (Appendix 1)

1. Executive summary

1.1 The Accounts and Audit Regulations 2015 require Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice and are required to be approved and signed by the Council's Audit & Governance Committee.

1.2 The Council is reporting a £400k underspend on outturn for 2021, increasing the General Fund balance to £49m (with £2m use of general fund reserves committed in 21/22, bringing General Fund balance to £47m)

1.3 This is the first time the Audit & Governance have been presented the Councils draft Statement of Accounts for 2021. However, the external audit has been ongoing since September 2021 and is currently ongoing. Below detail the 3 main adjustments we have made so far:-

a) Group Accounts - The Council is now having to complete group accounts as well as single entity accounts due to its holdings in Consilio Property Limited and Aylesbury Vale Estates Limited

b) Property, Plant and Equipment – There has been several adjustments within this note. This is including rework of the opening balances to split out historic

revaluations and movements to re categorise Intangible assets and Investment assets and assets under construction.

c) Cash Flow Statement – Correction of mis statements within the original draft accounts

2. Legal and financial implications

2.1 N/A

3. Consultation with local councillors & community boards

3.1 N/A.

4. Communication, engagement & further consultation

4.1 N/A

5. Next steps and review

5.1 The outstanding work on audit will be finalised over the coming weeks and any amendments resulting from this work will be actioned before the accounts are signed by the Chair of the Committee and S151 Officer.

6. Background papers

8.1 Appendix 1: Statement of Accounts

7. Your questions and views (for key decisions)

7.1 N/A

Statement of Accounts

For the year ended 31 March 2021

Contents

Narrative Report

Buckinghamshire Council

1. Introduction

Buckinghamshire Council is the second largest unitary Council by population and was formed on 1st April 2020, comprising of the areas previously administered by Buckinghamshire County Council and the four district councils of Aylesbury Vale, Chiltern, South Bucks and Wycombe. The Annual Statement of Accounts 2020/21 are the first set of accounts prepared by Buckinghamshire Council since its creation.

2. Buckinghamshire

Buckinghamshire is a landlocked county in the South-East region of England, located North-West of the capital city, London. The county borders Greater London, Berkshire, Oxfordshire, Bedfordshire, Northamptonshire and Hertfordshire. It is a home to a large portion of the Chiltern Hills Area of Outstanding Natural Beauty which consist of vast expanse of farmland and woodland dotted with small traditional English towns and villages, that are often regarded as some of the best places to live in the United Kingdom. The two largest cities in the county are Aylesbury and High Wycombe and other large towns include Amersham, Beaconsfield, Buckingham, Chesham and Marlow. It has a rich heritage and has many historic houses some of which are open to the public. It is also the birthplace of the international Paralympic movement.

Buckinghamshire enjoys excellent transport links, particularly to London. This, together with the proximity of both Heathrow and Luton airports, is a benefit in terms of international travel and economic opportunities for residents and local businesses.

Buckinghamshire is a flourishing and growing area with a population of 543,128 as of 2019. Just under a third of Buckinghamshire's residents live in rural areas which can bring its own challenges for residents in terms of access to services. Compared to the country as a whole, Buckinghamshire is affluent, healthy and well educated. Gross Disposable Household Income per head is 36% higher in Buckinghamshire than the UK and 18% higher than South East England.

The demographic make-up of the area is changing rapidly, with intensive growth in the north alongside an increasingly ageing population in the south. These changes have an impact on services, for example, the provision of health and social care for older people, and emphasise the need to attract jobs into Buckinghamshire, alongside ensuring the right skill-base of workers, in order to maintain a strong economy. There is a vibrant voluntary and community sector and widely available cultural, sporting and learning opportunities.

3. Covid-19 Pandemic

When the new Buckinghamshire Council came into being on 1 April 2020, the COVID-19 pandemic was reaching its first peak and the country had been plunged into an unprecedented full lockdown for just over a week. Virtually overnight, local authorities were diverted to responding to this 'once in a lifetime' emergency. Instead of the anticipated celebration of the launch of our new organisation and the benefits this would bring to the county, we were helping our homeless into emergency accommodation, co-ordinating volunteer groups, redeploying staff, adjusting the operation of most of our services and rapidly mobilising to protect our most vulnerable.

Early on in the pandemic a number of emergency response cells were established to lead critical areas of our response. These cells are led by senior staff, who work with our local members, the NHS, businesses, voluntary community sector organisations and other partners in supporting our residents and businesses across the county to remain safe and healthy and to reduce the spread of the virus. We have also been a key player in supporting many essential response services, such as the Olympic Lodge reablement unit, the Helping Hand programme, the vaccine delivery programme, establishing Lateral Flow Testing sites and the NHS Test and Trace system.

Financial Impact on the Council's Budgets 2020/21

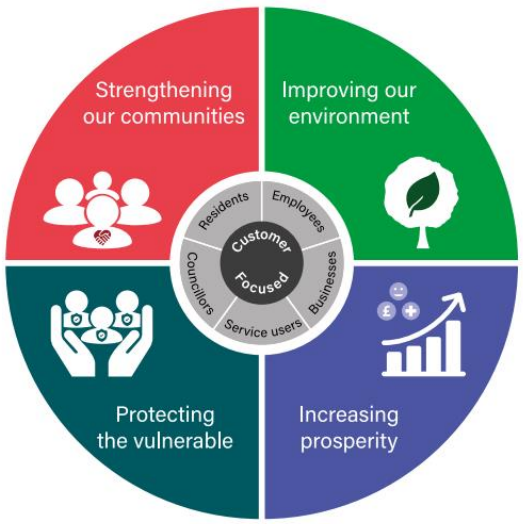
The financial impact of the pandemic has been felt across all local government. The impact on Buckinghamshire Council has been three-fold:

I. The Council has incurred additional expenditure in its response to the pandemic
II. The impact on the local economy has led to significant falls in income from sales, fees and charges.
III. Saving proposals and integrating teams across the legacy authorities have been slightly delayed

The impact of the pandemic has been mitigated by the support provider by Central Government. The most considerable of these is the general Covid-19 grant funding and the income compensation scheme. Collectively these two sources of funding have provided the Council with £295m.

4. Council Vision

The Council's Vision is: Buckinghamshire the best place to live, raise a family, work and do business. This vision is underpinned by key priorities which are:



I. Strengthening our communities: Building more affordable homes now and for future generations, providing extra help and support for an increasingly older population and improving the health of people who live in the more deprived areas of Buckinghamshire.
II. Protecting the vulnerable: Reduce inequalities and give everyone the support and skills they need to live independent, happy and fulfilling lives.
III. Improving our environment: Putting green spaces and natural environments at the heart of future development.
IV. Increasing prosperity : Ensure our economy remains fit for the future.

1. **Strengthening our communities**
   - We want our residents to live independent, fulfilling lives, within strong, healthy, inclusive and resilient communities.
   - We want to improve health and wellbeing, with a particular focus on reducing any gap in health outcomes.
   - We want to work more with town and parish councils, giving them the responsibility for services and assets where it makes sense to do so, and helping communities to help themselves.
2. **Protecting the vulnerable**
   - We want children, adults and families to feel safe and supported to live independent lives.
   - We want our older, disabled and vulnerable people to receive the right support, at the right time.
3. **Improving our environment**
   - We want to address climate change, improve our environment and create economic opportunities for clean growth.
   - We want to reduce our county's environmental impact by promoting sustainability and reducing waste. To improve air quality and people's health, by reducing emissions and encouraging green transport options.
4. **Increasing prosperity**
   - We want to encourage sustainable economic growth, working with our partners to maximise opportunities and boost productivity.
   - We want to continue to attract high quality jobs and investment in skills, innovation and connectivity, keeping Buckinghamshire one of the best places to do business.
   - We want growth to benefit both new and existing communities, preserving the character of our environment while delivering everything we need to prosper

5. Council Governance

The Council's policies are directed by the political leadership and implemented by the Corporate Management Team (CMT).

Political Structure

The council area comprises of 49 wards with 147 democratically elected councillors to represent residents. The Council operates under a Leader/Cabinet system. The Leader of the Council is Cllr Martin Tett and is supported by two Deputy Leaders who are also portfolio holders along with a further seven Cabinet Members across a range of portfolios.

The Council has a Constitution that sets out the rules and procedures that govern how council business is conducted and decisions are made.

Officers Structure

Councillors are supported by the Corporate Management Team (CMT), which is headed by the Chief Executive, Rachael Shimmin. CMT is responsible for the overall leadership and management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Including the Chief Executive, CMT is made up of eight officers which includes all the six Corporate Directors and S151 Officer. The council's operations are split into six directorates each with a responsible Corporate Director and supported by Service Directors.

Local Communities

As a large unitary authority, it is critical the council retains close links with local communities. On vesting day the council introduced a new localism model at the heart of which is 16 community boards. The boards enable a strong local presence and understanding of our diverse communities. The boards help connect the council to communities and partners, providing a focus on local issues and deliver council priorities in a way that is right for each local area.

This new way of working empowers communities to explore issues and solutions together on issues that matters most to them. The newly established model was a vital part of the council's civic response in the pandemic and created new collaborative opportunities.

6. Local Government Funding Issues

There are proposed changes which could affect how local authorities are to be funded from 2022/23 onwards. This includes the 'Fair Funding Review' and Business Rates Retention, The allocation of New Homes Bonus is also under review, and the future mechanism for funding Adults Social Care is also uncertain. Whilst these changes have been delayed by the pandemic, they will impact on the Councils funding position during this current Medium Term Financial Planning timeframe.

7. Financial Performance 2020/21

The net budget of £440m was approved by the Shadow Authority on 27th February 2020 and the Members also approved a 1.99% increase in Council Tax and 2% increase for the Adult Social Care Precept. The outturn position for 2020/21 is an underspend of £400k. The Council has a strong financial management process in place with monthly monitoring reports presented to the Corporate Management Team and quarterly to Cabinet.

At Directorate level, there are significant overspends which is due to the Covid-19 impact on service demand and loss of income. The major impact is on the Communities directorate due to loss of income from sports & leisure, trade waste collection and parking income.

Summary of Revenue Budget Outturn:

		Budget	Outturn	Variance		Change in Forecast Var	Variance: COVID	Variance: BAU
		£m	£m	£m	%	£m	£m	£m
	Expenditure	229.4	256.3	26.9	12%		22.7	4.2
	Income	(84.2)	(103.1)	(18.9)	22%		(13.9)	(5.0)
Adults & Health		**145.2**	**153.2**	**8.0**	**6%**	**(1.7) ↓**	**8.8**	**(0.8)**
	Expenditure	597.3	453.3	(144.0)	(24%)		5.0	(149.0)
	Income	(493.1)	(340.5)	152.6	(31%)		0.1	152.5
Children's Services		**104.2**	**112.8**	**8.6**	**8%**	**0.8 ↑**	**5.1**	**3.5**
	Expenditure	90.7	98.0	7.3	8%		7.9	(0.6)
	Income	(33.8)	(20.7)	13.1	(39%)		13.6	(0.5)
Communities		**56.9**	**77.3**	**20.4**	**36%**	**0.7 ↑**	**21.5**	**(1.1)**
	Expenditure	26.0	30.1	4.1	16%		1.1	3.0
	Income	(2.5)	(6.7)	(4.2)	...		-	(4.2)
Deputy Chief Executive		**23.5**	**23.4**	**(0.1)**	**(0%)**	**-**	**1.1**	**(1.2)**
	Expenditure	52.7	61.0	8.3	16%		3.8	4.5
	Income	(40.3)	(40.6)	(0.3)	1%		3.2	(3.5)
Planning, Growth & Sustainability		**12.4**	**20.4**	**8.0**	**65%**	**(0.3) ↓**	**7.0**	**1.0**
	Expenditure	172.2	156.0	(16.2)	(9%)		1.7	(17.9)
	Income	(130.8)	(111.9)	18.9	(14%)		1.4	17.5
Resources		**41.4**	**44.1**	**2.7**	**7%**	**(0.5) ↓**	**3.1**	**(0.4)**
Directorates		**383.6**	**431.2**	**47.6**	**12%**	**(1.0) ↓**	**46.6**	**1.0**
	Corporate	50.8	50.5	(0.3)	(1%)	5.4	-	(0.3)
	Funding	(434.4)	(482.1)	(47.7)	11%	(4.8)	(46.6)	(1.1)
Corporate & Funding		**(383.6)**	**(431.6)**	**(48.0)**	**13%**	**0.6 ↓**	**(46.6)**	**(1.4)**
Total		**-**	**(0.4)**	**(0.4)**	**...**	**(0.4) ↓**	**-**	**(0.4)**

The approved Capital programme for 2020/21 was £204m and the actual spend was £170m resulting in a slippage of £34m. Some of the investments made during the year are summarised below: -

I. £29m in creation of new Primary and Secondary School Places
II. £23m in Leisure Centres
III. £45m in Highways Maintenance and Transport Infrastructure
IV. £13m in Economic Growth & Regeneration
V. £14m in Housing & Regulatory Services
VI. £17m in Property & Assets

The main factor for the capital programme having slippage was Covid 19. Projects that had slippage were

I. Strategic Highways Maintenance - £2.052m
II. Car Parks - £1.205m
III. South Bucks County Park - £1.871m
IV. Waste Vehicles - £1.116m
V. Chiltern Lifestyle Centre - £0.998m

8. Financial position as at 31st March 2021

Net Asset Position

1. The Council has net assets of £926.267m, backed by usable reserves of £332.348m and unusable reserves of £593.923m. This is shown in the Balance Sheet which shows how the resources available are held in the form of assets and liabilities. There have been a number of significant movements within assets and liabilities that are detailed below.

Adequacy of Reserves
As well as a contingency budget to enable those more uncertain budgets to be managed, General Reserves (unallocated) are also held to meet unforeseen spending requirements and to provide stability in Medium Term Financial Planning. The level of reserves should consider the strategic, operational and financial risks facing the authority and, as such, a review of the level of reserves has been undertaken as part of the budget formulation. Our Reserves are made up as below:

- • General fund balance of £49m
- • Schools balance of £20.793m
- • Earmarked reserves of £215.122m
- •Capital reserves of £47.371mm

Revenue and Capital Budgets
On the 24th February 2021 the Council approved future Revenue and Capital budgets for the Buckinghamshire Council, as well as the Treasury Management Strategy and capital and Investment Strategy.

2. Non-Financial Achievements

Building, leading and managing the new organisation:

- Launched our better Buckinghamshire service review programme and commenced 30 reviews to deliver unitary benefits over the next two years.
- Answered almost 240,000 calls in our customer service centre, responded to approximately 24,500 web chats and over 97,000 emails/contact us forms.
- Procurement of new Buckinghamshire IT network, new single bank account and new revenues and benefits system to create savings for the organisation.
- Launch virtual child protection conferences, virtual fostering and adoption conferences and virtual school education appeals.
- Shortlisted for an LGC Business Transformation Award 2020.

- Highlighted ranking fourth in the country for highest performing council website for 2021 with regards to web accessibility, content quality assurance, response time and search engine optimization.

Strengthening our communities:

- A total of £3.9 million made available for communities with the launch of 16 boards, in order to improve the health and wellbeing of the local communities.
- established strategic funding group that has brought in approximately £2 million of external funding to support the community sector.
- Agreed a new parish council for Kingsbrook.
- Launched Buckinghamshire heritage portal which contains 35,000 records as well as teaching resources for KS2&3.
- Enabled 496,573 archive items to be viewed by the public (online and in person).
- Published the safer Buckinghamshire plan, youth justice strategic plan and the health and wellbeing strategy 2021-24.
- Appointed counsellors 124 outside bodies
- Strengthened our established partnerships with the Thames Valley Police and other key partners to tackle anti-social behaviour.
- Delivered improvement works at the Court Garden Leisure Complex in Marlow, Chesham Leisure Centre, Chalfont Leisure Centre and Trent Marlow Library.
- Recorded a 50% increase in people using our e-book another online library resources, with 406,000 downloads between April and December 2020.
- Continued good progress on construction of the new Chiltern's lifestyle centre development in Amersham.

Protecting the vulnerable:

- Launched first Social Work Apprentice Programme with a further cohort plan for next year.
- Completed 2668 annual reviews of adult social care packages (April 2022 - Jan 2021).
- Provision for 11,500 children with special educational needs in Buckinghamshire.
- Supported 78% of families referred through family support service to achieve their identified outcomes.
- Offered 754 people smoking cessation services, 440 weight management help and 861 have been referred to diabetes education programme by Live Well Stay Well.
- Commission 9 courses of Mental Health First Aid for 144 multi agency staff and delivered 4 courses of suicide first aid training.
- Supported partners to deliver 276 new affordable homes including 105 new shared ownership properties for low income families and for ground floor flats to a wheelchair adaptable specification.
- Received grant funding awards totalling over £1.8 million to 'keep everyone in' - providing immediate help for all rough sleepers and also long-term accommodation solutions to prevent people from returning to rough sleeping and to prepare them to sustain their own tenancies.
- Worked in partnership with a housing provider to secure grant aid and also part fund purchase of nine supported units solely for rough sleepers. In addition, commenced the construction of 58 units for use as temporary accommodation.

Improving our Environment:

- Appointed a new waste provider in South of county for around 115,000 households resulting in an 86% reduction in missed bins since the contract began.
- Emptied 88,000 bins every day across Buckinghamshire, recycling around 50% of our waste.
- Produced enough electricity to power 40,000 Buckinghamshire homes via our Greatmoor Energy from Waste facility.
- Agreed an ambition to plant over 500,000 new trees on Buckinghamshire Council's owned land holdings over the next 10 years - one tree for every citizen of Buckinghamshire contributing to our wider ambition in addressing climate change and improving biodiversity.
- Won the Great British September Clean award at the Keep Britain Tidy Network Awards 2020.
- Completed 13,169 category 1 and 2 defect repairs on our roads between April and December 2020, and 25,883 Highways Inspections during the same time period.
- Achieved 6 green flag awards for our town parks.
- We have built a new skate park and play areas in Amersham, Dunsham park and Rustics Close in Aylesbury.

Increasing Prosperity:

- Progress the number of property and regeneration schemes including Brunel Shed, The Winslow Development, old Wickham library, Old Council Offices and White Hart Street.
- Sign the contract for Aylesbury Housing Infrastructure Fund bringing £172.3 million of investment to the county.
- Ensure overall standards for pupils in Buckinghamshire schools are in line with or above national comparators with a higher percentage of schools rated good or better by Ofsted than schools nationally.
- Future High Streets Fund – provisionally successfully for £11.8 million, which will support the recovery and regeneration of High Wycombe town centre.

3. People Strategy

Buckinghamshire employs approximately 4,700 staff in full-time and part-time positions. Council sees the development of its employees, a culture of lifelong learning and continuous improvement as integral to providing quality services. The Council's Proud Ambitious Collaborative Trustworthy (PACT) values are central to the workplace culture.

During the year we took on 21 new talent apprentices and on 1 April 2021 we had 160 employees on apprenticeship programmes.

4. Outlook

Given the levels of uncertainty around government funding levels beyond 2021/22 and the difficulties with accurately forecasting the longer-term implications arising as a result of the pandemic made it impractical to set a multi-year Medium Term Financial Plan (MTFP) and, therefore, the Council set a revenue budget for 2021/22 only and a funded capital programme for the period to 2024/25. This ensured that the Council did not make decisions based on assumptions which were impossible to estimate given the global, national and local fiscal impact of the pandemic.

There is still uncertainty surrounding the impact of pandemic on the Council's medium to long-term finances. Despite, the challenging circumstances the overall outturn position for 2020/21 is an underspend of £0.4m bringing the General Fund reserves position at £49m. Financial sustainability will be a critical consideration for the Council going forward and the financial strategy will require a strategic approach to ensure that the Council can deliver its core services sustainably whilst maintaining the adaptability required to respond to changing environment and its impact on service demands and levels of resources.

The Council is currently working on the MTFP, for the four year period 2022/23 to 2025/26, which will then be submitted to Cabinet and Full Council for approval in February 2022. The Council is also carrying out service reviews through the '*Better Buckinghamshire Programme*'. As well as focussing on recovery, growth and increasing our resilience and agility it should help to clarify priorities, identify the optimum model of delivery and ensure that budgets are properly aligned to service activity. The process will seek to drive innovation in service design, harness the opportunities of technology and improve the customer experience.

The Council's drives an ambitious four-year capital investment programme totalling £569m, including: New and improved educational and leisure facilities; Improved transport management systems, roads, bridges, footpaths and infrastructure; Improved waste management. The investment programme is funded mainly from Government Grants (42%); Borrowing (7%); Capital Receipts (14%) and S106/Community Infrastructure Levy/Housing Improvement Fund (32%).

1. Strategic risks for upcoming year

A risk management strategy is in place enable the organisation to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat and the likely impact. The risk management processes are subject to regular review and reporting to those charged with governance. The key risks for the forthcoming year include:

I. **Covid-19 :**

Risk : The pandemic is not yet over and will continue to have a huge impact on our residence, business and resources.

Mitigation : Resources across the Council are fully mobilised in reducing the risk of exposure, through effective outbreak managements, as well as reducing the risk of complications and death among our residents. We will continue our work the NHS, businesses, voluntary community sector organisations and other partners in supporting the Helping Hand programme, our residents and businesses across the county to remain safe and healthy and to reduce the spread of the virus. We will also continue to support and work with the wide range of partners to encourage and increase the vaccine update. This increase in vaccine uptake is going to play a vital role in managing the impact of the pandemic on lives as well as our services.

II. **Finance and Resources :**

Risk : A range of wider market dynamics contributes to increasing financial pressures placed on the Council, including changing levels of service demand, the impacts of Covid-19, Brexit, and central government policy. These affect services across the Council in different ways; however, ultimately, they could impact service quality and delivery and therefore the residents and businesses, our overall financial position and reputation.

Mitigation: The Council is currently working on the Medium Term Financial Plan, for 2022/23 to 2025/26 which also includes review of corporate contingency to manage financial costs of these risks arising from service demands, increased cost of service provision and loss of significant income streams. In addition to this the council is carrying out service reviews through the '*Better Buckinghamshire Programme'*. As well as focussing on recovery, growth and increasing resilience and agility it should help to clarify priorities, identify the optimum model of delivery and ensure that budgets are properly aligned to service activity.

III. **Failure of a Major Contract**

Risk : The Council depends on a range of contracted partners to deliver its services. This supply chain could be disrupted by several factors such as the Covid-19 pandemic, Brexit, and the economic fallout and uncertainties arising. This could ultimately delay or disrupt critical services or service delivery, resulting in non-compliance of contractual and statutory obligations, financial loss or impact the Council's reputation. Covid-19 has had a disproportionate impact on some sectors, notably social care affecting services for adults, children, and wider public health.

Mitigation : The Council Contract Procedure rules embed the culture of contract management throughout the duration of a contract to help identify this risk. The Council's Contract Management Framework for Supplier Management ensures a consistent approach to contract management and thus providing a high level of assurance, providing a contract management toolkit and training, policies and guidance around contracts and procurement and supplier financial viability assessments.

IV. **Safeguarding of Adults and Children**

Risk: One of the key priorities for the Council is protecting the vulnerable; that children, adults and families feel safe and supported to live independent lives and that older, disabled, and vulnerable people receive the right support. With budget reductions, an increased demand for services and capacity restraints due to national shortages, this could put additional pressure on the Council's ability to deliver statutory obligations and ultimate protect those most in need. The COVID-19 pandemic has presented new challenges in terms of maintaining essential services to protect some of the most vulnerable people.

Mitigation: For Adults, as well as maintaining close relationships and working with our key partners, work will continue on the delivery of the Better Lives Strategy though the Adult Social Care transformation programme. The new social work case management, iCares, was launch on 1st March 2021 and this continues to be embedded along with enhances safeguarding systems, processes and practice. A three-year workforce strategy has been introduced which has included the launch of occupational therapy apprenticeship scheme and in collaboration with Bucks New

University, the Social Care Academy. For Children's, work on the Children' s Services Improvement Plan continues to be implemented with particular focus on management oversight, supervision and recruitment following on from the Ofsted focused visit in Buckinghamshire in February 2021. Progress against the improvement plan will continue to be monitored every six weeks at the Children's Service Improvement Board, chaired by the DfE appointed Improvement Adviser.

V. **Technology failure and breaches**

Risk: 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 are some of the events that could happen to the Council. This could result of severe financial and reputational damage as well as the major disruption for services. The Covid-19 pandemic has also given opportunities for cyber-crime criminals to take advantage of changes in working habits and exploiting the situation and vulnerabilities in cyber security to their own benefit.

Mitigation: The Information Technology ONE Programme is implementing a modern IT platform for the Council to ensure that council has a secure, stable and robust IT environment to facilitate the use of technology across all services. Within this programme are major projects which include building a new network, new data centres, migration of services to the Cloud, a single modern telephony platform and the rationalisation of all corporate and business applications. There is also a corporate IT Security Framework in place that provides a holistic approach to security covering personnel, physical, communications, information, computer and technical security. The framework is constantly reviewed taking into account best practices and standards as well as lessons learnt from technology failures and breaches outside of the Council.

VI. **Climate Change**

Risk: Insufficient resources and capacity to meet the Council's target of achieving net carbon zero by 2050 for Buckinghamshire as a whole (and by 2030 for Council's own activities) along with increased frequency of extreme weather events such as flooding and rise in temperatures, could put increased pressure on our local environment and public health in future years.

Mitigation: The Climate Change and Air Quality Strategy is in development and will have a cross cutting impact on all council services, particularly those with major carbon impacts.

5. Explanation of Accounting Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain several different elements which are explained below:

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Authority and the Chief Finance Officer (Service Director – Corporate Finance).

Auditor's Report gives the auditor's opinion of the financial statements and of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Core Financial Statements

- **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.
- **Comprehensive Income and Expenditure Statement (CIES)** shows the cost of providing services in the year in accordance with International Financial Reporting Standards. The top part of the CIES provides an analysis by Portfolio and reflects the Councils local reporting format. The bottom half of the statement deals with corporate transactions and funding.
- **Balance Sheet** shows the value of the Council's assets, liabilities and reserves at a point in time.
- **Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the year and quantifies the movements in balances attributable to day to day running of the Council (operating activities), investing activities or financing activities.

Collection Fund Statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates and its distribution to precepting bodies.

The Annual Governance Statement (AGS) sets out the governance structures of the Council and its key internal controls.

The Pension Fund Account report the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme.

Statement of Responsibilities

Buckinghamshire Council

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 – Corporate Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts, delegated to the Audit and Governance Committee.

The Service Director – Corporate Finance Responsibilities

The Service Director – Corporate 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 2020/21 (the Code).

In preparing this Statement of Accounts, the Service Director – Corporate 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;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Authorised issue of the Financial Statements

The Service Director – Corporate Finance authorised the issue of the financial statements on XX 2021.

Certificate of the Service Director – Corporate 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 ended 31 March 2021.

Richard Ambrose

Date: XX 2021

Service Director – Corporate Finance

Approval of the Statement of Accounts

The Statement of Accounts will be approved by the Buckinghamshire Council Audit and Governance Committee following the completion of the Audit.

Chairman of Governance and Audit Committee

Core Financial Statements

Buckinghamshire Council

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure (revenue or capital), or reduce local taxation) and unusable reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES (Comprehensive Income and Expenditure Statement). This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. Authorities raise taxation to cover expenditure in accordance with regulations. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The unusable reserves hold unrealised gains and losses (for example the Revaluation Reserve) and account for differences under regulations between accounting basis and funding basis which are detailed in Note 3.

	General Fund Balance £000	Earmarked Schools Balances £000	Earmarked General Fund Reserves £000	Total General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves* £000	Total Reserves £000
Balance at April 2020	**(48,664)**	**(14,034)**	**(137,256)**	**(199,954)**	**(34,702)**	**(32,793)**	**(267,449)**	**(803,522)**	**(1,070,971)**
Movement in reserves during 2020/21									
(Surplus) or deficit on the Provision of Services	52,771	-	-	**52,771**	-	-	52,771	-	52,771
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**		**(5,267)**	**(5,267)**	88,736	**83,469**
Total Comprehensive Income and Expenditure	**52,771**	**-**	**-**	**52,771**	**-**	**(5,267)**	**47,504**	**88,736**	**136,240**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(131,036)	-	-	**(131,036)**	25,391	-	**(105,645)**	120,868	**15,223**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(78,265)**	**-**	**-**	**(78,265)**	**25,391**	**(5,267)**	(58,141)	**209,604**	**151,463**
Transfers to/(from) Earmarked Reserves (Note 10)	77,866	(6,759)	(77,866)	**(6,759)**	-	-	**(6,759)**	-	**(6,759)**
(Increase) / Decrease in 2020/21	**(399)**	**(6,759)**	**(77,866)**	**(85,024)**	**25,391**	**(5,267)**	**(64,900)**	**209,604**	**144,704**
Balance at 31 March 2021	**(49,063)**	**(20,793)**	**(215,122)**	**(284,977)**	**(9,311)**	**(38,060)**	**(332,348)**	**(593,919)**	**(926,267)**

Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The statutory General Fund position is shown in both the Expenditure and Funding Analysis and in the Movement in Reserves Statement.

	2020/21		
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£000	**£000**	**£000**
Adults and Health	274,646	(120,700)	153,946
Children's Services	523,311	(352,863)	170,448
Communities	159,017	(22,995)	136,022
Deputy Chief Executive	31,380	(6,654)	24,726
Planning, Growth & Sustainability	83,243	(18,689)	64,553
Resources	172,771	(112,079)	60,693
Corporate Costs	8,592	(1,108)	7,484
Cost of Services	**1,252,961**	**(635,088)**	**617,873**
Surplus or deficit of discontinued operations			
Other Operating Expenditure (Note 11)	24,095	-	24,095
Financing and Investment Income and Expenditure (Note 12)	15,029	(22,601)	(7,572)
Taxation and Non-Specific Grant Income (Note 13)	133,788	(715,414)	(581,625)
(Surplus) or Deficit on Provision of Services	**1,425,873**	**(1,373,103)**	**52,771**
(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 23)			(104,150)
Surplus or deficit on revaluation of financial assets (Note 23)			139
Remeasurement of the defined benefit liability / (asset) (Note 36)			192,747
Other Comprehensive Income and Expenditure			**88,736**
Total Comprehensive Income and Expenditure			**141,507**

Balance Sheet

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

	Notes	31 March 2021 £000
Property, Plant & Equipment	14	1,863,261
Heritage Assets	15	8,892
Investment Property	16	369,632
Intangible Assets	18	2,464
Long Term Investments	17	4,522
Long Term Trade and Other Receivables	18	100,460
Long Term Assets		**2,349,232**
Short Term Investments	17	137,177
Temporary Loans	17	1,336
Assets Held for Sale	20	6,279
Inventories		228
Short Term Trade and Other Receivables	18	103,454
Current Assets		**248,474**
Cash and Cash Equivalents	19	(15,698)
Short Term Borrowing	17	(15,851)
Short Term Trade and Other Payables	19	(178,806)
Current Provisions	21	(7,804)
Current Liabilities		**(218,160)**
Long Term Trade and Other Payables	21	(64,777)
Provisions and Long Term Liabilities	22	(6,245)
Long Term Borrowing	17	(312,698)
Pension Liability	36	(1,069,555)
Long Term Liabilities		**(1,453,275)**
Net Assets		**926,271**
Usable Reserves	MiRS*	(332,348)
Unusable Reserves	23	(593,923)
Total Reserves		**(926,271)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (lenders) to the Council.

	2020/21
	£000
Net (surplus) or deficit on the provision of services	52,771
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(67,560)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	98,981
Net cash flows from operating activities (note 28)	**84,191**
Purchase of property, plant and equipment, investment property and intangible assets	111,848
Purchase of short-term and long-term investments	4,933,982
Proceeds from short-term and long-term investments	(4,924,576)
Other receipts from investing activities	(84,320)
Net cash flows from investing activities	**36,933**
Cash receipts of short and long-term borrowing	138,420
Repayments of short and long-term borrowing	(186,475)
Net cash flows from financing activities	**(48,056)**
Net (increase) or decrease in cash and cash equivalents	**73,069**
Cash and cash equivalents at the beginning of the reporting period	57,371
Cash and cash equivalents at the end of the reporting period	**(15,698)**

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Net expenditure per outturn	Transfers (to) / from earmarked reserves (Note 4)	Net expenditure chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Adults and Health	153,240	(10,511)	142,730	11,216	153,946
Children's Services	112,782	(998)	111,784	58,664	170,448
Communities	78,055	386	78,441	57,581	136,022
Deputy Chief Executive	23,435	(1,667)	21,768	2,958	24,726
Planning, Growth & Sustainability	20,919	4,914	25,833	38,720	64,553
Resources	44,146	6,113	50,259	10,434	60,693
Corporate costs	64,589	(57,599)	6,990	494	7,484
Net Cost of Services	**497,166**	**(59,361)**	**437,804**	**180,068**	**617,873**
Other Income and Expenditure in CIES	(469,862)	(15,933)	(485,795)	(79,308)	(565,102)
(Surplus) or Deficit on Provision of Services	**27,304**	**(75,294)**	**(47,990)**	**100,761**	**52,771**
Adjustments under Regs	(27,703)	(9,331)	(37,034)	(100,761)	(137,795)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(399)**	**(84,625)**	**(85,024)**	**0**	**(85,024)**
Transfers to / (from) earmarked reserves	0	0	0	0	0
(Increase) / Decrease in 2020/21	**(399)**	**(84,625)**	**(85,024)**	**0**	**(85,024)**
General Fund Balance as at 1 April 2020					(199,956)
General Fund Balance as at 31 March 2021					**(284,980)**
Net Budget (surplus) / deficit	**(399)**				

Accounting Policies

Buckinghamshire Council

1.1 General Overview

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end 31st March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The Council prepares its Statement of Accounts on a going concern basis, on the assumption that it will continue in existence into the foreseeable future. he accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for when it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed and where there is a gap between the date supplies are received and their consumption, these are included as inventories in the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined in the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor/creditor for the is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Provisions

Provisions are made where an event has taken place that gives a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement (CIES) when the Authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties. When payments are eventually made, these are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at each year-end and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.4 Overheads and Support Services

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

1.5 Employee Benefits (Benefits Payable during Employment)

Short-term employee benefits are settled in full within 12 months of the year-end. Benefits include wages and salaries, paid annual leave, paid sick leave bonuses and non-monetary benefits for current employees and are recognised as a service cost in the year in which employees render service. An accrual is made for the holiday entitlement cost (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry to the next financial year. The accrual is made at the wage and salary rates applicable in the following year as the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services but is then reversed out through the Movement in Reserves Statement (MiRS) so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.6 Employee Benefits (Termination)

Termination benefits are due following a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the relevant service expense line in the comprehensive income and expenditure statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises restructuring costs. When termination benefits involve pensions enhancement, the general fund balance is charged with the amount payable to the pension fund or pensioner in-year, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to/from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and these are replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

1.7 Employee Benefits (Post-Employment Benefits-Local Government Pension Scheme)

Employees of the Council are members of three separate pension schemes:

- the Local Government Pensions Scheme (LGPS), administered by Buckinghamshire Council
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- the NHS scheme

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

For LGPS members' retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year as distinct from the amount calculated according to the relevant accounting standards. In the MIRS there are appropriations to and from the Pensions Reserve to remove the debits and credits for retirement benefits charged in the CIES and replace them with debits for the cash paid to the pension fund and pensioners

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme administered by Buckinghamshire Council.

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

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

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

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

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

- Current Service Cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked.
- Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment, whose effect relates to years of service earned in earlier years, debited or credited to the Surplus or Deficit on the Provision of Services in the CIES.
- Net Interest Cost – the expected change in the present value of net liabilities that arises from the passage of time, charged to the Financial and Investment Income and Expenditure line in the CIES.
- Return on Assets – excluding amounts included in net interest on the net defined benefit liability, charged to the Financial and Investment Income and Expenditure line in the CIES.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumption, debited/credited to the Pensions Reserve.

- Contributions paid to Buckinghamshire Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year as distinct from the amount calculated according to the relevant accounting standards.

In the MiRS, there are appropriations to and from the Pensions Reserve to remove the debits and credits for retirement benefits charged in the CIES and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Employee Benefits (Discretionary Benefits)

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies that have been applied to the LGPS.

1.9 Property Plant and Equipment - Definition

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes, and that are expected to be used during more than one financial year, are classified as PPE.

1.10 Property, Plant and Equipment (PPE) - Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure in excess of £10,000 on fixed assets is capitalised. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

1.11 Property, Plant and Equipment (PPE) - Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Council does not capitalise borrowing costs incurred whilst assets are under construction. Assets are then carried into the Balance Sheet using the following measurement basis:

- Infrastructure, community assets, plant, vehicles and equipment and assets under construction – historical cost
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value, because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Assets in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are booked within the Revaluation Reserve to recognise unrealised gains. In-year gains will be credited to the CIES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

- Where there is an opening balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain);

- Where there is no balance or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line

Assets included in the balance sheet at current value below £10m are revalued on a rolling basis within a five-year time-frame. Assets with a current value over £10m are revalued annually. Increases in valuations are matched by credits in the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of an impairment loss previously charged to a service revenue account.

1.12 Property, Plant and Equipment (PPE) - Impairment

Material assets are assessed at each year-end for impairment. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the relevant CIES line.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant CIES service line up to the amount of the original loss adjusted for depreciation that would have been charged if the loss had not been recognised.

1.13 Property, Plant and Equipment (PPE) - Depreciation

Depreciation is accounted for on all PPE assets by the systematic allocation of their depreciable amounts over the useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold and certain Community Assets), and assets that are not yet available for use (i.e. assets under construction). Newly acquired or completed assets are depreciated in the year following acquisition or completion.

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.14 Property, Plant and Equipment (PPE) – Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government [England only]. The balance of receipts remains within the capital receipts reserve and can then only be used for new capital investment [or set aside to reduce the authority's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement

1.15 Investment Properties

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which an asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but properties with a carrying value over £250k are revalued as part of an annual programme while properties with a value less than £250k are revalued as part of a five-year rolling-programme, according to market conditions at the end of the year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund. The gains and losses are therefore reversed out of the General Fund in the MiRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve. Rentals received in relation to investment properties are credited to Financial and Investment Income and result in a General Fund gain.

1.16 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets in-year:

- depreciation attributable to the assets used by a service;
- revaluation and impairment losses on assets used by a service where there are no accumulated gains in the revaluation reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to a service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by the MRP in the MiRS on the general fund balance, by way of an adjusting transaction within the capital adjustment account for the difference between the two.

1.17 Intangible Assets

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

1.18 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred in-year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in-year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MiRS from the general fund to the capital adjustment account then reverses the amounts charged to ensure no impact on the council tax level.

1.19 Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, eg when an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

1.20 Valuation Techniques used to Determine Fair Values

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available are used so as to maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, as follows:

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

1.21 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.22 Inventories & Long Term Contracts

Inventories are included in the balance sheet at the lower of cost & net realisable value.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

1.23 Financial Assets

Assets are classified into three types –

1. Amortised Cost - valued at Amortised Cost in Balance Sheet, movements in Amortised Cost are debited/credited to the Surplus or Deficit on the Provision of Services,
2. Fair Value through Profit and Loss (FVTPL) - Fair Value in Balance Sheet, all gains and losses posted to Surplus or Deficit on the Provision of Services,
3. Fair Value through Other Comprehensive Income (FVOCI) - Fair Value in Balance Sheet, movements in amortised cost debited or credited to Surplus or Deficit on the Provision of Services with Fair Value movements debited or credited to Other Comprehensive Income and Expenditure

1.24 Financial assets measured at amortised cost

Financial assets at amortised cost are recognised in the balance sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest, and interest charged to the CIES is the amount receivable for the year.

1.25 Financial assets measured at fair value through profit and loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

1.26 Financial Instruments – Expected credit loss model

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

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

The authority has a portfolio of a significant number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

1.27 Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual charges to Financing & Investment Income and Expenditure in the CIES for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For most of the Council's borrowings, this means that the Balance Sheet captures the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Premiums and discounts on the early redemption of loans are charged to the CIES when incurred but Regulations allow the impact on the General Fund to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund is managed by a transfer to/from the Financial Instruments Adjustment Account in the MiRS.

1.28 Government Grants and Contributions

Amounts recognised are not credited to the CIES until the conditions attached to the grant/contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Creditors or Capital Grants Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service segment line (revenue grants and contributions attributable to specific services) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES. Where revenue grants that have been credited to the CIES are intended to meet specific service expenditure that has not yet been incurred, an equivalent amount is transferred from the General Fund to an Earmarked Reserve in the MiRS. A transfer is made in future years to match expenditure as it is incurred.

Where capital grants are credited to the CIES, these are reversed out of the General Fund in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are then transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.29 Classification of Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the PPE from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for the payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies generally applied to such assets, subject to depreciation being charged over the lease term if this is shorter

than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, Property, Plant and Equipment held under finance leases are funded in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore removed by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating leases

Where the Council grants an operating lease over property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid or discount offered at the commencement of the lease). If material initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.30 VAT

VAT payable is included as an expense to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

1.31 Community Infrastructure Levy (CIL)

The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy. The income is used to fund a number of infrastructure projects (including transport, flood defences and schools) to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure

1.32 Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that have occurred between the balance sheet date and the date when the statement of accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the balance sheet date – the statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the balance sheet date – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

1.33 Materiality and Exceptional Items

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

1.34 Contingent Assets

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.35 Contingent Liabilities

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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

Billing authorities act as agents collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NDR) and as principals collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection/distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted. The council tax and NDR included in the CIES is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MiRS. The Balance Sheet includes the Authority's share of the year-end balances for council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed of determinable payments), the asset is written down and a charge made to Financing and Investment Income in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.37 Schools

The Code confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

1.38 Interests in companies and other entities

The Council has material interests in Aylesbury Vale Estates, Consilio Property Ltd, Farnham Park Sports Fields Charity and Higginson Park Trust. In the Council's own single-entity accounts this interest is recorded as a financial asset at cost less any provision for losses.

1.39 Reserves

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in-year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund in the MiRS so that there is no net charge against Council Tax for the expenditure. Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council.

1.40 Group Accounts

The boundary for Group Accounts is determined by the extent of the Councils control or influence over an entity, and the materiality of the relationship to users of the Councils 'accounts. Group accounts are prepared in accordance with IFRS3, IFRS10, IFRS11 and IFRS12 and with IAS 27, IAS28 and the Code where required and material

A Subsidiary is an entity which the Council controls though the power to govern its financial and operational activities, where it has exposure or rights to variable returns from its involvement in the entity, and where it has the ability to use its power to influence the level of those returns. Control will normally but not necessarily be presumed to exist where the Council is the majority shareholder.

An Associate is an entity where the Council has significant influence to participate in the financial and operational decision making of the entity but stopping short of control. It is normally, but not necessarily, presumed that significant influence exists where the Council owns 20% or more of the entity.

A Joint venture exists where the Council is party to the contractually and binding agreed shared control of an organisation, where strategic financial and operating decisions that significantly affect returns require the unanimous consent of the parties sharing control: and where the Council has rights to the net assets of the arrangements, but not the rights or obligations to particular assets or liabilities.

Joint Operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather that the establishment of a separate entity. To meet the definition of Joint Venture Operation, the parties must have rights to particular assets or obligations for particular liabilities and there must be joint control, that is decisions on relevant activities require the unanimous agreements of all parties. Joint Operations are accounted for in the Councils single entity accounts rather than group accounts, and the Council recognises on the Balance Sheet the assets that it controls and the liabilities that it incurs and includes in the CIES the expenditure it incurs and the share of income it earns from the operations.

A Subsidiary is consolidated into Group Accounts by adding like items of income, expense, assets and liabilities, and eliminating transactions and balances between entities.

Associates and Joint Ventures are consolidated into Group Accounts by the equity method, adjusting the original investment for any post acquisition change in the Councils share of the assets of the entity and including in the Groups CIES the Councils share of the entity's profit and loss for the year.

Group Accounts have been prepared for Consilio Property Limited (100% owned subsidiary) and for Aylesbury Vale Estates Limited (AVE) (50% owned associate), to consolidate with the councils single entity accounts. The Group Accounts are shown in a separate section following the notes to the single entity accounts. Interest in other companies are account for primarily as expenditure or income through the CIES.

Notes to the Core Financial Statements

Buckinghamshire Council

1. Acquired Operations as a result of Local Government Reorganisation

As mentioned in the Narrative Report to the Statement of Accounts, as a result of Local Government Reorganisation (LGR) the new unitary council of Buckinghamshire was created on 1 April 2020. The Statement of Accounts for the legacy authorities of Buckinghamshire County Council, Aylesbury Vale District Council, Chiltern District Council, South Bucks District Council and Wycombe District Council can be found on their respective websites.

2. Opening Balance Sheet of BC Council

In order to arrive at the opening balance sheet for the new authority, the principles of absorption accounting have been applied.

The assets and liabilities of the former authorities have been disaggregated.

	As at 1st April 2020 £'000
Property, Plant & Equipment	1,747,676
Heritage Assets	8,892
Investment Property	351,025
Intangible Assets	0
Long Term Investments	4,573
Long Term Receivables	102,548
Long Term Assets	2,214,715
Short Term Investments	122,485
Short Term Loans	6,571
Inventories	107
Assets Held for Sale	3,921
Short Term Receivables	77,988
Cash and Cash Equivalents	57,371
Current Assets	268,443
Short Term Borrowing	(57,295)
Short Term Payables	(194,745)
Current Liabilities	(252,040)
Long Term Borrowing	(319,310)
Provisions and Long Term Liabilities	(109,735)
Pension Liability	(811,286)
Long Term Liabilities	(1,240,331)
Net Assets	**990,786**
Usable Reserves	(267,601)
Unusable Reserves	(723,179)
Total Reserves	**(990,780)**

3. Accounting Standards That Have Been Issued But Not Yet Adopted

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. This applies to the adoption of new or amended standards within the 2021/22 Code. New standards that are expected to be introduced in the 2021/22 Code that apply from 1 April 2021 are:

• Definition of a Business: Amendments to IFRS 3 Business Combinations

• Interest Rate Benchmark Reform – Phase 1: Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

• Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 Insurance Contracts and IFRS 16 Leases

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 35. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations

5. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase by £56m for every year that useful lives had reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Assets are subject to a 5-year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available to assess an asset's value. Assets of high value are valued annually to reduce this risk.	A fall in value of the Council's Property, Plant and Equipment would impact on the net worth of the Council, however, would not impact on the Council's usable balances. Fluctuations in the value of assets will not correlate with normal market conditions; however, a 1% movement in asset values would move the Council's balance sheet position by £16.7m.
Fair Value Measurement	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities are disclosed in the relevant sections within the accounts.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the authority's financial assets and liabilities.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates 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 assumptions interact in complex ways. The actuaries review the assumptions triennially and changes are adjusted for in the accounts. Sensitivity analysis is represented in note 35 to the accounts. Any impact on the liabilities relating to COVID-19 will be reflected within the regular triennial valuation and the effect will be absorbed into the long-term funding strategy. This could mean either higher or lower pension contributions payable by the Council in the future.

6. Events after Balance Sheet Date

The financial statements were authorised for issue by the Section 151 Officer on the X 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Note to the Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the Council has used available funding for the year (i.e. government grants, rents, council tax and business rates) in providing services, in comparison with those resources that the Council has consumed or earned in accordance with generally accepted accounting practices. It also shows how the Council has allocated this expenditure for decision making purposes between the Council's Corporate Management Teams. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Capital Adjustments	Pensions Adjustments	Other Differences	Total Adjustments
	£000	**£000**	**£000**	**£000**
Adults and Health	6,918	4,313	(15)	11,216
Children's Services	44,299	21,127	(6,762)	58,664
Communities	53,470	4,111	0	57,581
Deputy Chief Executive	50	3,151	(243)	2,958
Planning, Growth & Sustainability	32,941	5,779	0	38,720
Resources	2,785	8,070	(420)	10,434
Corporate costs	21	(452)	925	494
Net Cost of Services	**140,483**	**46,100**	**(6,515)**	**180,068**
Other Income and Expenditure in CIES	(76,366)	19,422	(22,364)	(79,308)
(Surplus) or Deficit on Provision of Services	**64,117**	**65,522**	**(28,879)**	**100,761**

8. Expenditure and Income Analysed by Nature

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

	2020/21 £000
Fees, charges & service income	(149,276)
Interest and investment income	(5,265)
Income from Council Tax, NDR	(371,855)
Government Grants and contributions	(846,706)
Total Income	**(1,373,102)**
Employee benefit expenses	467,699
Other Service Expenses	819,251
Support Service recharges	(6,759)
Interest expenses	9,986
Depreciation, amortisation and impairment	111,601
Precepts & Levies	16,141
Gain & loss on disposal of non-current assets	7,954
Total Expenditure	**1,425,873**
Surplus or Deficit on Provision of Services	**52,771**

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Charges for depreciation and impairment of non-current assets	(55,067)	-	-	55,067
Revaluation losses on Property, Plant and Equipment	(30,048)	-	-	30,048
Fair Value gains / losses on Investment Properties	2,970			(2,970)
Amortisation of Intangible Assets	(1,052)	-	-	1,052
Capital grants and contributions applied	81,549	-	-	(81,549)
Revenue Expenditure Funded from Capital Under Statute	(28,405)	-	-	28,405
Amounts of non-current assets written off on disposal as part of the (gain)/loss on disposal to the CIES	(22,813)	-	-	22,813
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment (minimum revenue provision)	10,054	-	-	(10,054)
Voluntary minimum revenue provision	1,961	-	-	(1,961)
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the CIES	2,771	-	(2,771)	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CIES	14,859		-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	34,557	-	(34,557)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,502)	-	
Write Down of deferred capital receipts	-			-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(7,664)	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	734	-	-	(734)
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(116,156)	-	-	116,156
Employer's pension contributions and direct payments to pensioners payable in the year	50,634	-	-	(50,634)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and NNDR income credited to the CIES is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(48,066)	-	-	48,066
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,720)	-	-	1,720
Total Adjustments	**(137,795)**	**25,391**	**(2,771)**	**120,868**

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets. The reserve is restricted by statute from being used other than to fund new capital expenditure or to repay debt. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

	2020/21
	£000
Balance at 1 April	**(37,113)**
Proceeds from sale of non-current assets	(5,253)
Funding capital expenditure	34,557
To/from Deferred Capital Receipts Reserve	(1,502)
Balance at 31 March	**(9,311)**

Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

10. Transfers to/from Earmarked Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

	Balance at 1/4/2020	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2021
	£000	£000	£000	£000
Earmarked General Fund Reserves				
Health & Wellbeing	(3,251)	2,433	(5,617)	(6,435)
Children's Services	(2,303)	2,423	(3,749)	(3,628)
Community	(18,668)	7,020	(7,211)	(18,859)
Deputy Chief Excutive	(13,733)	11,828	(33,842)	(35,747)
Planning & Environment	(11,497)	8,384	(17,400)	(20,513)
Resources	(7,308)	991	(2,034)	(8,351)
Capital	(32,572)	15,353	(32,459)	(49,678)
Corporate Costs	(47,926)	83,728	(107,713)	(71,911)
Subtotal	**(137,256)**	**132,160**	**(210,026)**	**(215,122)**
Earmarked for Schools				
Earmarked Schools Revenue Balances	(11,752)	14,125	(18,956)	(16,584)
Earmarked Schools Devolved Formula Capital	(2,281)		(1,927)	(4,209)
Subtotal	**(14,034)**	**14,125**	**(20,883)**	**(20,793)**
Total	**(151,290)**	**146,285**	**(230,909)**	**(235,915)**

Adults and Health Reserves include the Public Health Reserve which holds grant funding of £4.0m that will be used in future years. It also includes £1.5m set aside for Adult Social Care Transformation and £1.0m for Block Contract Procurement.

Children's Services Reserves include the DSG reserve which is in deficit (£1.8m) but this is ring-fenced and cannot be set against General Fund. Other Children's Services Reserves include grant funding to be used in future years such as School Improvement Monitoring and Brokerage (£1.5m), Families First (£0.9m) and Troubled Families (£0.7m). It also includes the Assessed and Supported Year in Employment Academy reserve (£1.2m).

Communities Reserves include a Waste reserve of £5.0m to smooth the effect of volatility in third party income and selling electricity. Also included are the Crematorium reserve (£6.9m), the Country Parks Reserves (£1.5m), monies set aside for Adverse Weather (£2.3m), Repairs and Renewals (£2.0m), Highways and Transportation Procurement (£1.2m), Strategic Initiative reserve (£1.5m) and Capital reserves (£1.4m).

Deputy Chief Executive Reserves include Unitary Transformation (£16.0m), Unitary Transition (£5.5m), Contain Outbreak Management Fund (£7.3m) and Community Boards reserve (£3.4m).

Planning, Growth and Sustainability Reserves include Climate Change (£5m), Amenity Areas (£4.3m), Strategic Development (£3.5m), Asbestos warranty (£3.3m) and Capital Repairs & Renewals (£2.0m).

Resources Reserves include the Insurance Reserve (£6.3m) which relates to the estimated liabilities in respect of insurance claims not yet notified. Also included is the Finance System reserve (£1.0m).

Corporate Costs Reserves includes Budget Smoothing (£6.1m) to smooth the effect of budget changes over the forthcoming years, Uncommitted Legacy reserves (£6.8m) and the Corporate Covid reserve (£4.6m).

Capital Reserves include the Revenue Contribution to Capital Reserve (£22.2m) which is used for the financing of capital expenditure and receives appropriations from the revenue account; the balance largely represents slippage from prior year capital schemes. It also includes revenue contribution to East West Rail (£10.2m), Aylesbury Eastern Link Road (£10.0m) and Section 106 (£4.1m).

Earmarked for Schools Reserve contains the balances held by schools under delegated schemes that are ring-fenced (£20.8m).

11. Other Operating Expenditure

	2020/21
	£000
(Gain)/losses on the disposal of non-current assets	(2,069)
Loss on de-recognition of Academies non-current assets	10,023
Levies - Environment Agency	499
Parish Precepts	15,642
Total	**24,095**

12. Financing and Investment Income and Expenditure

	2020/21 £000
Interest payable and similar charges	10,045
Net interest on the defined pension liability	19,422
Interest receivable and similar income	(5,488)
Impairment Loss Allowance	(8,048)
Impairment of Financial Assets	(4,389)
Investment Properties Income and expenditure and changes in Fair Value	(19,115)
Total	**(7,572)**

13. Grant Income

Government grants and third-party contributions and donations are credited to the CIES where:

- The grant has been received (or there is reasonable assurance that the grant will be received) and no specific conditions or stipulations are attached ('Non-ringfenced grants'), or
- the Council has complied with the conditions attached to the payments

Conditions are stipulations that specify that the grant or contribution must be applied as specified or returned to the transferor. Monies advanced as grants and contributions for which conditions have not yet been satisfied are carried in the Balance Sheet as trade payables.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

Grants Held Centrally	2020/21 £000
Council Tax	(270,450)
Revenue Support Grant	(75)
Locally Retained Non Domestic Rates	(51,516)
Non-ringfenced Government Grants *	(175,266)
Capital Grants and Contributions	(84,320)
Total	**(581,625)**

Grants Credited to Services	2020/21 £000
Dedicated Schools Grant	(292,424)
Housing benefit Subsidy	(95,994)
Public Health Grant	(21,364)
Test and Trace	(17,312)
Infection Control	(11,589)
Teachers Pay	(7,667)
Social Care	(4,893)
Education Funding Agency 16-19	(2,669)
Skills Funding Agency	(3,201)
PE and Sports Grant	(2,730)
Universal Free School Meals	(5,074)
Pupil Premium	(5,518)
Rapid Testing	(1,524)
Asylum seekers	(1,394)
Housing Payments Grant	(1,025)
Total of other grants below £1m each	(14,477)
Total	**(488,855)**

14. Property, Plant & Equipment

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation							
At 1 April 2020	**1,735,803**	**146,292**	**578,917**	**22,645**	**39,572**	**27,561**	**2,550,789**
Additions	24,695	11,046	44,870	272	544	44,269	**125,696**
Revaluation increases/decrease recognised in the Revaluation Reserve	99,452	11,995			3,009		**114,456**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(33,237)				(7,100)	(17)	**(40,353)**
Disposals						(12,790)	**(12,790)**
Derecognition - Academies	(10,023)						**(10,023)**
At 31 March 2021	**1,816,690**	**169,334**	**623,787**	**22,916**	**36,025**	**59,023**	**2,727,775**
Accumulated Depreciation and Impairment							
At 1 April 2020	**(636,590)**	**(22,151)**	**(126,285)**	**(6,039)**	**(18,053)**	**(331)**	**(809,448)**
Depreciation charge	(30,991)	(8,010)	(16,066)				**(55,066)**
At 31 March 2021	**(667,581)**	**(30,161)**	**(142,351)**	**(6,039)**	**(18,053)**	**(331)**	**(864,515)**
Net Book Value							
as at 31 March 2021	1,149,109	139,173	481,436	16,878	17,973	58,692	1,863,260

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use (i.e. assets under construction). No depreciation is charged in the year of acquisition however a full year's charge is made in the year of disposal.

Table shows range of assets' useful lives for valuation in years:

Land & Buildings	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16
Minimum	10	15	15	20	16	28
Maximum	60	55	55	51	51	72

Infrastructure Assets	2020/21
Minimum	17
Maximum	39

Vehicles, Plant & Equipment	2020/21
Minimum	1
Maximum	32

Revaluations

The Council will carry out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Carter Jonas undertook valuations on behalf of the Council in 2020/21 for operational property. The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Information on Capital contracts which have been entered into by the Council and have outstanding payments of over £250K as at 31 March 2021:

Project	Type of Contract	Name of Contractor	Contract Value	Amount Outstanding at 31st March 2021
			£000	£000
Green Ridge Primary Academy	Construction	Kier Construction- Southern	11,190	3,688
Kingsbrook primary school	Construction	Morgan Sindall Construction Ltd	10,386	4,984
Chiltern Hills Academy Expansion	Construction	BAM Construction Ltd	10,140	9,696
Holmer Green School Expansion	Construction	Willmott Dixon Construction	9,984	7,679
The Amersham School	Construction	Morgan Sindall Construction Ltd	7,298	2,986
Misbourne School Expansion	Construction	Life Build Solutions Ltd	5,385	5,385
Buckingham Upper School Expansion	Construction	Borras Construction Ltd	1,961	1,157
St Michaels Aylesbury	Construction	BAM Construction Ltd	1,408	308
Maids Morton	Construction	Marlow Builders Ltd	862	754
Thomas Hickman Nursery	Construction	Alcema	746	351
			59,360	**36,988**

15. Heritage Assets

Heritage Assets are those assets (either tangible or intangible) with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

	Historic Sites and Monuments	Kederminster Library and Pew	Museum Collections and Paintings	Total
	£000	£000	£000	£000
Valuation				
1 April 2020	**1,721**	**1,056**	**6,116**	**8,893**
31 March 2021	**1,721**	**1,056**	**6,116**	**8,893**

16. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

	2020/21
	£000
Rental income from Investment Property	(17,135)
Direct operating expenses arising from Investment Property	990
Revaluation gains and losses	(2,970)
Charge for the year	**(19,115)**

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

	2020/21
	£000
Balance at start of the year	361,394
Additions	14,464
Net gains / loses from fair value adjustments	2,970
Transfers to / from Property, Plant and Equipment	(9,196)
Balance outstanding at year end	**369,632**

Valuation Process for Investment Properties

Investment properties were valued by Carter Jonas in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Properties over £250k are valued annually which covers 95% of the total value of Investment property portfolio and properties below £250k are valued on a rolling programme of 5 years.

Fair Value Hierarchy

The Council uses valuation techniques that are appropriate for investment property and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value for the investment properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

	Other Significant Observable Inputs (Level 2)	Fair Value as at 31 March 2021
Agricultural estate	54,655	54,655
Commercial Units	310,491	310,491
Total	**369,632**	**369,632**

17. Financial Instruments

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

	31-Mar-21	31-Mar-21
	Long Term	**Short Term**
Fair Value Through Profit or Loss		
Investments*		137,177
Financial Assets at Amortised Cost		
Investments-money market investments	4,352	
Temporary Loans		1,336
Loans and Receivables		103,454
Loan to Local Authority company and other entities	170	
Cash and Cash Equivalents		
Total of Assets	**4,522**	**241,967**
Less items to be excluded		
Payments in Advance		(10,778)
Collection Fund Adjustment		(2,854)
Her Majesty's Revenue and Customs		(11,832)
Total to be Deducted from Assets		**(25,464)**
Total Financial Assets	**4,522**	**216,503**
Financial Liabilities at Amortised Cost		
Borrowing	(312,698)	(15,851)
Cash and Cash Equivalents	-	15,698
Trade and other payables		(178,806)
Total Financial Liabilities	**(312,698)**	**(210,355)**
Less items to be excluded		
Receipts in advance and deferred income		37,573
Collection fund adjustment		6,694
Her majesty's revenue and customs		118
Total to be Deducted from Liabilities		**44,385**
Total Financial Liabilities at Amortised Cost	**(312,698)**	**(165,970)**

	31-Mar-21	31-Mar-21
	Carrying Amount	Fair Value
	£000	£000
Fair Value Through Profit or Loss		
Investments	137,177	137,177
Financial Assets at Amortised Cost		
Investments	4,352	4,352
Temporary Loans	1,336	1,336
Loans and Receivables	103,454	103,454
Loan to Local Authority company and other entities	170	170
Cash and Cash Equivalents	-	-
Total to be Deducted from Assets	**(25,464)**	**(25,464)**
Total Financial Assets	**221,025**	**221,025**
Financial Liabilities at Amortised Cost		
Borrowing	(328,549)	(385,144)
Cash and Cash Equivalents	(15,698)	(15,698)
Trade and other payables	(178,806)	(178,806)
Total to be Deducted from Liabilities	**44,385**	**44,385**
Total Financial Liabilities	**(478,668)**	**(535,263)**

Income, Expenditure, Gains and Losses

	2020/21			
	Financial Liabilities measured at amortised cost	Financial Assets: Assets at amortised cost	Financial Assets: Assets at fair value through other comprehensive Income	Total
	£000	£000	£000	£000
Interest Expense	10,045			**10,045**
Fee expense				**-**
Total expense in Surplus or Deficit on the Provision of Services	**10,045**	**-**	**-**	**10,045**
Interest Income		(4,303)		**(4,303)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(4,303)**	**-**	**(4,303)**
Gains on revaluation			140	**140**
Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**140**	**140**
Net loss/(gain) for the year	**10,045**	**(4,303)**	**140**	**5,882**

Fair Value of Financial Assets

Investment Assets are measured at fair value on a recurring basis. The valuation techniques used to measure them maximise the use of relevant observable inputs and minimise the use of unobservable inputs and are categorised as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Recurring fair value measurements using:

	2020/21		
	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£000	£000	£000
Investments	29,036	-	48,672
Total	**29,036**	**-**	**48,672**

18. Debtors

	31 March 2021
	£000
Central Government bodies	7,128
HM Revenue and Customs	11,832
Other local authorities and NHS	487
Collection Fund adjustment	2,854
Sundry Trade and Other Receivables	109,799
Payments in advance	10,778
Total	**142,878**
Impairment Loss Allowance	(39,423)
Total Short Term Trade and Other Receivables	**103,455**

	31 March 2021
	£000
Reprovisioning of Adult Social Care	10,494
Finance lease	19,371
Other Long Term Trade and Other Receivables	70,595
Total Long Term Trade and Other Receivables	**100,460**

19. Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

	31 March 2021
	£000
Bank current accounts	(15,698)
Total Cash and Cash Equivalents	**(15,698)**

20. Assets Held for Sale

When it becomes probable that the carrying amount of a non-current asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

	2020/21
	£000
Balance at start of the year:	6,071
Assets newly classified as held for sale:	
Property, Plant and Equipment	208
Balance outstanding at year end	**6,279**

21. Creditors

	31 March 2021
	£000
HM Revenue and Customs	(118)
Central Government bodies	(7,524)
Other local authorities and NHS	(1,259)
Collection Fund adjustment	(6,694)
Deposits from contractors and others	(4,375)
Other sundry creditors	(68,188)
Receipts in advance and deferred income	(60,187)
Capital expenditure	(30,461)
Total	**(178,806)**

	31 March 2021
	£000
Deposits from Contractors and Others	(55,757)
Long Term Trade and Other Payables	(9,020)
	(64,777)

22. Provisions

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

	Insurance	National Non-Domestic Rates	Asbestos	Other	Total
	£000	£000	£000	£000	£000
1 April 2020	**(6,113)**	**(4,841)**	**(2,773)**	**(1,170)**	**(14,897)**
Additional provisions made	(150)	(8,066)		(170)	(8,386)
Amounts used	399	5603	329	2,323	8,654
Unused amounts reversed	-			579	579
Balance at 31 March 2021	**(5,864)**	**(7,304)**	**(2,444)**	**1,562**	**(14,050)**

The following provisions have been made as at 31 March 2021:

- Insurance - these exist for meeting claims under a self-insurance scheme. There are cumulative limits to these, above which claims will be met by the Council's insurers. These cover areas of insurance such as motor, fire, maternity cover and employees. In addition, a provision is maintained for probable liabilities following the Municipal Mutual Insurance ceasing to undertake new business.

- The Local Government Finance Act 2012 introduced a business rates retention scheme which came into effect in 2013/14. The Council is responsible for collecting business rates and is required to make provision for amounts that are likely to be repaid to ratepayers following successful appeals.

23. Unusable Reserves

Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefit and do not represent usable resources for the Council.

	March 31 2021 £000
Revaluation Reserve	(104,150)
Capital Adjustment Account	(1,578,631)
Financial Instruments Adjustment Account	30,364
Deferred Capital Receipts Reserve	(68,042)
Pensions Reserve	1,069,555
Collection Fund Adjustment Account	49,785
Accumulated Absences Account	6,701
Financial Instruments Revaluation Reserve	499
Total Unusable Reserves	**(593,919)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve

	2020/21 £000
Balance at 1 April	**-**
Upward revalution of assets	(104,150)
Balance at 31 March	**(104,150)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Capital Adjustment Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

	2020/21
	£000
Balance as at 1 April	**(1,578,506)**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
- Charges for depreciation and impairment of non-current assets	55,067
- Revaluation losses on Property, Plant and Equipment	40,353
- Movements in the market value of Investment Properties	(2,970)
- Amortisation of intangible assets	1,052
- Revenue Expenditure Funded from Capital Under Statute	28,405
- Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	22,813
	(1,433,786)
Adjusting amounts written out of the Revaluation Reserve:	
Capital financing applied in the year:	
- Use of the Capital Receipts Reserve to finance new capital expenditure	(34,557)
- Capital grants and contributions credited to the CIES that have been applied to capital financing	(88,260)
- Statutory provision for the financing of capital investment charged against the General Fund balance	(10,054)
- Voluntary provision for the financing of capital investment charged against the General Fund balance	(1,961)
- Capital expenditure financed from the General Fund	
	(134,832)
Balance at 31 March	**(1,568,618)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for premiums and discounts on the early repayment of loans per statutory provisions. The premium or discount is spread over the unexpired term of the loan when it was redeemed. The premium incurred in 2020/21 will be charged over 60 years.

	2020/21
	£000
Balance at 1 April	**31,098**
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(734)
	(734)
Balance at 31 March	**30,364**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2020/21
	£000
Balance at 1 April	**(64,338)**
Write-down / impairment of benefit	(10,582)
Impairement	5,376
Transfer to the Capital Receipts Reserve upon receipt of cash	1,502
Balance at 31 March	**(68,042)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve indicates a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

	2020/21
	£000
Balance at 1 April	**811,286**
Actuarial gains and losses on pensions assets and liabilities	192,747
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	116,156
Employer's pension contributions and direct payments to pensioners payable in the year	(50,634)
Balance at 31 March	**1,069,555**

Collection Fund Adjustment Account

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

	2020/21
	£000
Balance at 1 April	
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	3,905
Amount by which National Non-Domestic Rates income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	45,880
Balance at 31 March	**49,785**

Accumulated Absences Account

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

	2020/21
	£000
Balance at 1 April	**4,980**
Settlement or cancellation of accrual made at the end of the preceding year	(4,980)
Amounts accrued at the end of the current year	6,700
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**1,720**
Balance at 31 March	**6,700**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains arising from increases in the fair value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are either revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

	2020/21
	£000
Balance at 1 April	**359**
Movements in reserve	139
Balance at 31 March	**498**

24. Notes to the Cash Flow Statement

24.1 - Cash Flow from Operating Activities

	2020/21
	£000
Net (surplus) or deficit on the provision of services	**52,771**
Adjustments for non-cash movements	
? Depreciation, impairment and downward valuations	(85,115)
? Changes in fair value of Investment Properties	2,970
? Amortisations	(1,052)
? Increase in impairment for provision of bad debts	(37,689)
? Increase / decrease in creditors	(18,377)
? Increase / decrease in debtors	93,609
? Increase / decrease in inventories	(851)
? Movement in Pension liability	(65,522)
? Carrying amount of non-current assets sold or derecognised	(22,813)
? Other non-cash items charged to the net Surplus or Deficit on the provision of services	67,279
	(67,560)
Adjustment for items that are Investing and Financing activities	
? Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,661
? Any other items for which the cash effects are investing or financing activities	84,320
	98,981
Net cash flows from Operating Activities	**84,191**

24.2 - Cash Flow from Investing Activities

	2020/21
	£000
Purchase of property, plant and equipment, investment property and intangible assets	111,848
Purchase of short-term and long-term investments	4,933,982
Proceeds from short-term and long-term investments	(4,924,576)
Other receipts from investing activities	(84,320)
Net cash flows from investing activities	**36,933**

24.3 - Cash Flow from Financing Activities

	2020/21 £000
Cash receipts of short and long-term borrowing	138,420
Repayments of short-term and long-term borrowing	(186,475)
Net Cash flows from financing activities	**(48,056)**

25. Agency Services

The Council acts as an Agent on behalf of Buckinghamshire CCG for a number of Adult Social Care responsibilities. The agreements include Integrated Commissioning service and the processing of Continuing Health Care (CHC) and Deprivation of Liberties (DoLS).

Buckinghamshire CCG reimburses the Council for the cost of employees that provide the Integrated Commissioning service on their behalf. During 2020/21 £869k was received from Buckinghamshire CCG towards expenditure of £3,665k. £2,795k is the Buckinghamshire Council contribution.

	2020/21 £000
Integrated Commissioning	
Expenditure	3,665
Income	(869)
(Surplus)/Deficit	**2,796**
Continuing Health Care (CHC)	
Expenditure	124
Income	(124)
(Surplus)/Deficit	**-**
Deprivation of Liberties (DoLS)	
Expenditure	74
Income	(74)
(Surplus)/Deficit	**-**

26. Pooled Budgets

Better Care Fund

Since its launch in 2015, the Better Care Fund (BCF) established pooled budgets between the NHS and local authorities which can be used to commission health or social care related services out of a single pot. The BCF is made up of Clinical Commissioning Groups (CCG) funding as well as local government grants (Disabled Facilities Grant & iBCF). Buckinghamshire Council is the host for the pooled fund on behalf of Milton Keynes and Buckinghamshire CCG.

The aim for the BCF in Buckinghamshire is for people to be healthier and to have a higher quality of life for longer. This centres on care provided for people over the age of 65 and people with long term health conditions. Such care will be provided proactively (provided in people's homes) rather than reactively (provided in institutional settings).

	2020/21 £000
Expenditure	
Expenditure met by Buckinghamshire Council	18,529
Expenditure met by Buckinghamshire CCG	21,133
Total Expenditure	**39,662**
Income	
Contribution from Buckinghamshire Council	(7,880)
Contribution from NHS Milton Keynes CCG	(386)
Contribution from Buckinghamshire Clinical Commissioning Group	(31,396)
Total Income	**(39,662)**
Balance	**-**

Child and Adolescence Mental Health Services (CAMHS)

Partnership with NHS Buckinghamshire CCG for the provision of Children and Adolescence Mental Health Services. Buckinghamshire Council is the host authority for the pooled fund arrangement. The service provider is Oxford Health NHS Foundation Trust.

	2020/21 £000
Expenditure	
Expenditure met by Buckinghamshire Council	8,495
Total Expenditure	**8,495**
Income	
Contribution from Buckinghamshire Council	(1,645)
Contribution from Buckinghamshire Clincial Commissioning Group	(6,850)
Total Income	**(8,495)**
Balance	-

Community Equipment Loan Service

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

	2020/21 £000
Expenditure	
Expenditure met by Buckinghamshire Council	7,952
Total Expenditure	**7,952**
Income	
Contribution from Buckinghamshire Council	(1,444)
Contribution from Buckinghamshire Clincial Commissioning Group	(6,508)
Total Income	**(7,952)**
Balance	**-**

Section 117 Aftercare

This is a partnership between the Council and Buckinghamshire Clinical Commissioning Group. The Council is the host authority for the pooled fund arrangement.

	£000
Expenditure	
Expenditure met by Buckinghamshire Council	17,460
Total Expenditure	**17,460**
Income	
Contribution from Buckinghamshire Council	(8,730)
Contribution from Buckinghamshire Clinical Commissioning Group	(8,730)
Total Income	**(17,460)**
Balance	-

Integrated Therapies Contract (SALT, OT and Physiotherapy)

This is a partnership between the Council and Chiltern Clinical Commissioning Group. The Council is the host authority for the pooled fund arrangement.

	2020/21 £000
Expenditure	
Expenditure met by Buckinghamshire County Council	3,764
Total Expenditure	**3,764**
Income	
Contribution from Buckinghamshire County Council	(1,717)
Contribution from Buckinghamshire Clinical Commissioning Group	(2,047)
Total Income	**(3,764)**
Balance	-

The Council has a number of other Pooled Budget arrangements; those with expenditure over £1m are listed below:

Other Pooled Budget Arrangements	2020/21 £000
Integrated Mental Health Provision for Older People Agreement	3,792
Residential Respite Short Breaks Pooled Fund	2,931

27. Members Allowances

	2020/21 £000
Salaries	2,521
Employer Contributions	188
Allowances	553
Total	**3,262**

28. Officers Remuneration

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which employees render service to the Council.

The remuneration paid to the Council's senior employees during 2020/21 was as follows:

Post	Employee Name	Total Remuneration (excluding pension contributions)	Pension Contributions	Total 2020/21
		£	£	£
Chief Executive Officer	Ms RA Shimmin	231,916.50	58,981.50	290,898.00
Deputy Chief Executive	Ms SJ Ashmead	179,732.96	43,927.32	223,660.28
Corporate Director Children's Services(DCS)	Mr A Vouyioukas	177,300.04	45,488.96	222,789.00
Corporate Director Adults and Health	Ms G Quinton	177,208.67	42,971.74	220,180.41
Corporate Director Planning,Growth&Sustainability	Mr IJ Thompson	159,999.95	41,119.92	201,119.87
Corporate Director Resources	Mrs SL Murphy-Brookman	154,999.96	39,834.92	194,834.88
Corporate Director Communities	Mr R Barker	150,000.00	38,550.00	188,550.00
Service Director Corporate Finance & S151 Officer	Mr RA Ambrose	127,512.04	32,744.84	160,256.88
		1,358,670	**343,619**	**1,702,289**

The Council's employees (not including those listed above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

			2020/21
	Non Schools	Schools	Total
£50,000 - £54,999	125	72	197
£55,000 - £59,999	95	58	153
£60,000 - £64,999	55	38	93
£65,000 - £69,999	31	35	66
£70,000 - £74,999	26	19	45
£75,000 - £79,999	9	13	22
£80,000 - £84,999	20	3	23
£85,000 - £89,999	5	5	10
£90,000 - £94,999	11	3	14
£95,000 - £99,999	2	1	3
£100,000 - £104,999	5	2	7
£105,000 - £109,999	1	-	1
£110,000 - £114,999	2	-	2
£115,000 - £119,999	1	-	1
£120,000 - £124,999	2	-	2
£125,000 - £129,999	1	-	1
£130,000 - £134,999	-	-	-
£135,000 - £139,999	1	-	1
	392	**249**	**641**

29. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged to the appropriate service line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

The Council terminated the contracts of a number of employees in 2020/21 and the table below details the total number of exit packages and total cost per band.

	Number of compulsory redundancies	Number of other departures	Total number of exit packages by cost band	Total cost of exit packages in each band
	2020/21	2020/21	2020/21	2020/21
				£000
£0 - £19,999	4	15	19	226
£20,000 - £39,999		4	4	119
£40,000 - £59,999	1	5	6	298
£60,000 - £79,999				
£80,000 - £99,999		1	1	86
£100,000-£149,999				
£150,000-£199,999				
£200,001-£249,999	1	1	2	482
£250,000-£299,999				
£300,000-£349,999		1	1	332
	6	**27**	**33**	**1,543**

30. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims:

	2020/21
	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year for Buckinghamshire Council	300
Fees Payable in respect of other services provided by the External Auditors during the year	20
Fees payable for the certification of grant claims and returns for the year	8
Total	**328**

31. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in the Council's area.

DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2017.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21:

	Central Expenditure £000	Individual Schools Budgets £000	Total £000
Final DSG for 2020/21 before Academy recoupment			472,648
Academy figure recouped for 2020/21			(180,505)
Total DSG after Academy recoupment for 2020/21			**292,143**
Opening Balance at 1st April 2020			(1,153)
Carry-forward to 2020/21 agreed in advance			1,318
Agreed initial budgeted distribution in 2020/21	**80,254**	**211,889**	**289,672**
In year adjustments	281		281
Final budgeted distribution for 2020/21	80,535	211,889	289,953
Less Actual central expenditure	(82,669)		(82,669)
Less Actual ISB deployed to schools		(210,396)	(210,396)
Plus agreed carry-forward for 2021/22			
Carry Forward to 2021/22	**(2,134)**	**1,493**	**(1,794)**

32. Related Parties

This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest in addition to a specific declaration obtained in respect of related party transactions from members and senior officers. The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from Government departments are set out in the analysis in Note 13.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 is shown in Note 27. Details of all these transactions are recorded in the Register of Members' Interest, which are available online.

The following Members held positions of control or significant influence in related parties to the Council during 2020/21:

Councillor Raj Khan is the Director and majority shareholder of TWK Transit, a specialist transport management company that has both private and public sector contracts providing transport services. TWK Transit is part of the Khattak Group of companies including Redline Buses Ltd, Red Eagle Buses Ltd and Red Rose Travel Ltd. During 2020/21 TWK Transit provided the Council with transport services to the value of £2.78m. Collectively the Khattak Group have provided services to the value of £6.04m.

Buckinghamshire Pension Fund

The Buckinghamshire Pension Fund is administered by the Council. The council incurred costs of £2.49 million in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of the members of the pension fund and contributed £56.8 million to the fund in 2020/21.

Local enterprise partnerships

The Council is a member of South East Midlands LEP (SEMLEP) and the Buckinghamshire Thames Valley LEP (BTVLEP). This puts the Council in a strong position to influence economic growth and ensures the activities of the LEP benefits the.

Aylesbury Vale Estates LLP

The Council has a 50% interest in Aylesbury Vale Estates LLP. Relevant transactions are disclosed within Note 12 Financing and Investment Income and Expenditure and Note 19 (Debtors). Group accounts have not been prepared on the basis of materiality.

Consilio Property Limited

Consilio Property Limited was set up in September 2017 by South Bucks District Council as a property investment company with the primary aim of generating long term income by investing directly in UK property. Investments include residential markets and commercial properties withing Buckinghamshire and the surrounding area. The assets transferred to the new unitary Buckinghamshire Council in April 2020 and the Council is the sole shareholder.

33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2020/21
	£000
Opening Capital Financing Requirement	567,747
Capital Investment	
Property, plant and equipment	127,272
Investment properties	13,393
Intangible assets	208
Revenue Expenditure Funded from Capital Under Statute	28,405
Source of Finance	
Capital receipts	(34,557)
Government grants and other contributions	(81,549)
Direct revenue contributions	
Minimum revenue provision	(10,054)
Closing Capital Financing Requirement	**610,865**
Explanation of movements in year	
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	43,118
Increase/(decrease) in Capital Financing Requirement	**43,118**

34. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception and is subject to depreciation being charged over the shorter of the lease term and the asset's estimated useful life.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the asset. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease). The future minimum lease payments due under operating leases are:

	31 March 2021
	£000
Amounts paid during the year	**716**
Not later than one year	593
Later than one year and not later than five years	1,345
Later than five years	427
Total Estimated Future Payments	**2,365**

	31 March 2021
	£000
Minimum lease payments	716
Total Amounts Paid In Year	**716**

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal; a gain or loss on disposal is credited to the CIES and matched by a lease (long-term trade receivables) asset in the Balance Sheet. Any consideration is treated as a capital receipt.

The minimum lease payments are apportioned between:

- settlement of the long-term trade receivables for the interest in the property acquired by the lessee; and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gross investment is made up of the following amounts:

	31 March 2021
	£000
Finance lease debtor (net present value of minimum lease payments):	
? current	1,280
? non-current	20,562
Unearned finance income	12,077
Unguaranteed residual value of property	200
Gross investment in the lease	**34,119**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease	Minimum Lease Payments
	31 March 2021	31 March 2021
	£000	£000
Not later than one year	1,902	1,297
Later than one year and not later than five years	7,738	4,153
Later than five years	23,572	15,495
	33,212	**20,945**

The Council has granted a number finance leases to schools on obtaining Academy status for nil rentals. The value of buildings derecognised totals £10m in 2021/2. Land is held at notional value only; no residual values are held in respect of buildings.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

The Council leases some of its property and vehicles for a variety of purposes including agricultural tenancies, service tenancies, provision of community services, roundabout sponsorship and commercial lets. The future minimum lease payments receivable under these leases in future years are:

stated*	31 March 2021
	£000
Not later than one year	23,029
Later than one year and not later than five years	79,525
Later than five years	60,685
	163,239

35. Pension Schemes Accounted for as Defined Contribution Schemes

The NHS Pension Scheme is an unfunded multi-employer defined benefit scheme administered by NHS Pensions. In 2020/21 the Council paid an estimated £64k to NHS Pensions in respect of public health staff retirement benefits and has been charged to Adults & Health services line in the CIES. The expected contribution to be paid by the Council in relation to the NHS Pension Scheme for 2021/22 is estimated around £41k.

The arrangements for the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

The Teachers' Pension Scheme is an unfunded multi-employer defined benefit scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. In 2020/21, the Council paid £21.7m to Teachers' Pensions in respect of teachers' retirement benefits. This is charged to Children's services line in the CIES. The estimated contribution to be paid by the Council in 2021/22 is £22.4m. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

The Council participates in the Local Government Pension Scheme (LGPS) which the Council administers - this is a funded defined benefit pension scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

As part of the terms and conditions of the employment of its Officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Under IAS 19 and Code requirements, the Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions.

The liabilities of the Buckinghamshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of calculation is the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, including assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees. This future liability is then discounted using annualised Merrill Lynch AA rated corporate bond yield curve. The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

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

- **Service cost comprising:**
  - current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked
  - past service cost – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
  - any gain or loss on settlement

- **Remeasurements comprising:**
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Discretionary Benefits

The Council provides discretionary post-employment benefits which arise from additional service and are awarded on a discretionary basis. These benefits are unfunded with costs met directly from the Council's revenue account.

Transactions relating to Post-Employment Benefits

Following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

	2020/21
Comprehensive Income & Expenditure Statement	**£000**
Cost of Services	
Service Cost (comprising)	95,566
- current service cost	96,018
- past service costs	1,896
- settlements and curtailments	(2,348)
Administration expenses	1,168
Financing and Investment Income and Expenditure	
Net interest on the defined liability	19,422
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	**116,156**
Remeasurement of the defined benefit liability, comprising:	
Return on plan assets in excess of interest	277,491
Actuarial gains and losses:	
Change in Financial assumptions	(522,099)
Change in demographic assumptions	23,077
Experience gain/loss on defined benefit obligation	28,784
Other Post Employemnt Benefit Charged to other CIES	**(192,747)**

	2020/21
Movement in Reserves Statement	**£000**
Reversal of net charges made to the Surplus/Deficit for the Provision of Services	(116,156)

Actual amount charged against the General Fund balance employers' contributions payable in year to the scheme	50,634

Pension Assets and Liabilities

	2020/21 £000
Present value of the defined benefit obligation	(2,542,843)
Fair value of plan assets	1,543,294
Net liability on Fund	**(999,549)**
Present value of unfunded obligation in respect of discretionary benefits	(70,006)
Net liability in Balance Sheet	**(1,069,555)**

Reconciliation of present value of the scheme liabilities

	2020/21 £000
Opening balance at 1 April	(2,061,352)
Current service cost	(96,018)
Past service costs, including curtailments	(1,896)
Interest cost	(38,290)
Contributions by scheme participants	(11,812)
Remeasurement gains and losses:	
- change in financial assumptions	(522,099)
- change in demographic assumptions	23,077
- experience loss/(gain) on defined benefit obligation	28,784
Liabilities extinguished on settlements	2,359
Estimated benefits paid net of transfers in	59,856
Unfunded pension payments	4,542
Closing balance at 31 March	**(2,612,849)**

Reconciliation of fair value of the scheme assets

	2020/21 £000
Opening balance at 1 April	1,250,066
Expected return on scheme assets	
Interest on assets	18,868
Remeasurement gains and losses:	
- return on plan assets less the amount included in net interest expense	277,491
- other actuarial gains/(losses)	
Administration expenses	(1,168)
Employer contributions	50,634
Contributions by scheme participants	11,812
Estimated benefits paid plus unfunded net of transfers in	(64,398)
Settlement prices received/(paid)	(11)
Closing balance at 31 March	**1,543,294**

The Scheme Assets comprise:

The Scheme Assets comprise:

	2020/21	2020/21
	%	£000
Gilts	9	139,658
Equities	59	906,056
Other bonds	15	225,093
Property	6	90,611
Cash	1	21,957
Alternative Assets	1	19,069
Hedge Funds	5	72,757
Absolute Return Portfolio	4	68,093
Total	100	1,543,294

Actuarial methods and assumptions

Mortality assumptions:	**2020/21**
Longevity at 65 for current pensioners:	
■ Men	21.6
■ Women	25
Longevity at 65 for future pensioners:	
■ Men	22.9
■ Women	26.4
Other assumptions:	
RPI Increases	3.20%
CPI Increases	2.80%
Rate of increase in salaries*	3.80%
Rate of increase in pensions	2.80%
Rate for discounting scheme liabilities	2.00%

Sensitivity analysis		**Present value of total obligation £000**	**Projected service cost £000**
Current assumption	0.0%	2,612,849	94,780
Adjustment to discount rate	+0.1%	2,562,033	91,509
	-0.1%	2,664,725	98,158
Adjustment to long term salary increase	+0.1%	2,616,309	94,831
	-0.1%	2,609,418	94,728
Adjustment to pension increases and deferred revaluation	+0.1%	2,660,806	98,124
	-0.1%	2,565,807	91,538
Adjustment to mortality age rating assumption	+ 1 year	2,742,605	98,986
	- 1 year	2,489,566	90,733

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary, Barnett Waddingham, to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed for 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipated paying £45.175m (main scheme) employer contributions in 2021/22.

The weighted average duration of the defined benefit obligation for the scheme members is 20 years. In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk: The Fund holds investment in asset classes such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk: The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- Inflation risk: All the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk: In the event that the members live longer than assumed, a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Buckinghamshire Pension Fund, there is an orphan liability risk, where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

37. Nature and Extent of Risks Arising from Financial Instruments

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

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

Credit Risk

The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Sector	Time limit	Counterparty limit	Sector Limit
The UK Government	50 years	Unlimited	n/a
Local authorities and other government entities	25 years	£10m	Unlimited
Secured investments[3]	25 years	£10m	Unlimited
Banks (unsecured)[3]	13 months	£5m	Unlimited
Building societies (unsecured)[3]	13 months	£5m	£10m
Registered providers (unsecured)[3]	5 years	£5m	£25m
Money market funds	n/a	£30m	Unlimited
Strategic pooled funds	n/a	£30m	£60m
Other investments[3]	5 years	£5m	£10m

Creditworthiness

The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

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

Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are

never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Investment Limits	**Cash Limit**
Any single organisation, except the UK Central Government	£10m each
UK Central Government	Unlimited
Any group or organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£25m per manager
AAA sovereign rated foreign countries	£20m per country
AA+ sovereign rated foreign countries	£10m per country
Money Market Funds	£75m in total

Risk assessment and credit ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Default

The Council defines default as a customer or borrower's failure to pay amounts owed to it. Counterparty is likely to be considered in default if:

a) it is in administration, insolvency or winding up proceedings
b) it has entered into a scheme of arrangement with its creditors
c) it is in default on similar financial assets.

Exposure to Credit Risk

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and collectability over the last three financial years, adjusted to reflect current market conditions.

Credit Risk	Amount at 31 March 2021 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default and collectability at 31 March 2021 £000
	A	B	C	(A x C)
Deposits with banks and financial institutions	29,171	1.628%	1.990%	580.50
	29,171.00			**580.50**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The credit quality of debtors is reflected in the level of the impairment allowance for trade debtors shown In Note 18. The Council does not allow credit for customers, as such, all unpaid balances are past due date for payment. The gross past due sundry debtor amount can be analysed by age as follows:

	31 March 2021 £000
Less than three months	60,064
Three to six months	2,109
Six months to one year	7,534
More than one year	17,777
	87,483

Liquidity Risk

As the Council has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The profile of debt falling due is shown below

	31 March 2021 £000
Less than one year	6,820
Between one and two years	16,910
Between two and five years	21,286
More than five years	271,442
	316,458

Market Risk

Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs. If interest rates had been 1% higher with all other variables held constant, the financial effect in 2020/21 would have been:

	31 March 2021
	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	41
Impact on Surplus/Deficit on the Provision of Services	**41**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council has £20m invested in the CCLA pooled property fund. This element of the Council's portfolio is exposed to the risk of rising and falling commercial property prices. A 5% fall in commercial property prices would result in a £1m fall in the Council's investment value. The Council intends to hold this pooled property fund for the long term to minimise the risk of volatility in commercial property prices resulting in a capital loss.

Collection Fund

Buckinghamshire Council

Collection Fund Statement

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

	2020/21		
	Business Rates	**Council Tax**	**Total**
	£'000	**£'000**	**£'000**
Income			
Council Tax	-	(426,320)	(426,320)
Non-Domestic Rates	(108,041)	-	(108,041)
Transitional protection payments	-	-	-
Contributions towards previous year's Collection Fund deficit:			
Buckinghamshire Council	-	-	-
Buckinghamshire & Milton Keynes Fire Authority	-	-	-
Central Government	-	-	-
Parish Councils	-	-	-
Thames Valley Policy Authority	-	-	-
Ex County Council	-	-	-
Ex District Councils	-	-	-
Total Income	(108,041)	(426,320)	(534,361)
Expenditure			
Transitional protection payments	188	-	188
Precepts, demands and shares			
*Buckinghamshire Council	91,216	363,022	454,238
Buckinghamshire & Milton Keynes Fire Authority	1,862	14,750	16,612
Central Government	93,078	-	93,078
Thames Valley Policy Authority	-	48,445	48,445
Ex County Council	-	-	-
*Ex District Councils	-	-	-
Charges to Collection Fund			
Charge to the General fund for allowable collection costs for non-domestic rates	655	-	655
Renewable Energy Scheme	236	-	236
Designated Area Growth	817	-	817
Write-offs / (on) of uncollectable amounts	-	-	-
Increase / (decrease) in allowance for impairment	2,951	4,293	7,244
Increase / (decrease) in provision for appeals	5,205	-	5,205
Apportionment of previous year's Collection Fund surplus			

Buckinghamshire Council	5,156	3,677	8,833
Buckinghamshire & Milton Keynes Fire Authority	56	152	208
Central Government	413	-	413
Thames Valley Policy Authority	-	486	486
Ex County Council	-	-	-
Ex District Councils	-	-	-
Total Expenditure	201,833	434,825	636,658
(Surplus) / deficit arising during the year	93,792	8,505	102,297
(Surplus) / deficit brought forward at 1 April	(1,526)	(3,912)	(5,438)
(Surplus) / deficit carried forward at 31 March	92,266	4,593	96,859

*Includes Council Tax amounts collected on behalf of parish councils

CF1 – Council Tax

Council tax is chargeable on residential properties is based on valuations bandings arising from the introduction of the system in 1993. The number of properties in each band and calculation of the tax base that was approved by Shadow Council in December 2019 is summarised in the table (below/ to right/ to left)

		2020/21		
Band	**Multiplier**	**Number of chargeable Dwellings**	**Band equivalent dwelling**	**D**
A (Disabled Relief)	5/9	0.37	0.21	
A	6/9	4,909.77	3,273.18	
B	7/9	20,124.04	15,652.03	
C	8/9	45,016.88	40,015.01	
D	9/9	43,715.32	43,715.32	
E	11/9	32,129.44	39,269.31	
F	13/9	25,662.36	37,067.85	
G	15/9	28,118.11	46,863.52	
H	18/9	5,377.06	10,754.12	
Adjustment for Council Tax Reduction Scheme			**(12,620.53)**	
Council Tax Base for the year			**223,990.02**	

CF2 – Business Rates

The Council collects business rates for its area based on rateable values as determined by the Valuation Office Agency and multipliers set by central government as follows:

	2020/21 **£000**
Total rateable value for business premises as at the end of March 2020	465,628
Standard Mutiplier	51.2p / £
Small Business Multiplier	49.9p / £

Group Accounts

Buckinghamshire Council

Group Accounts

Introduction

To provide a full picture of the economic and financial activities of the Council and its exposure to risk, the account statements of material subsidiary and associate companies are consolidated with those of the Council. The resulting Group Accounts are presented in addition to the Council's single entity accounts. They include the core accounting statements, similar in presentation and purpose to the Councils accounts and any explanatory notes considered necessary to explain material movements from the single entity accounts. Where no notes are given, users of the accounts should refer to the notes of the single entity accounts.

Group accounts have been prepared under the requirements of the Code of Practice on Local Authority Accounting, consolidating any material subsidiary, associate, or joint venture entities over which the Council exercises control or significant influences. The basis for determining the Group Boundary is as set out in the Councils Accounting Policies.

Consilio Property Limited is 100% owned by the Council and has therefore been consolidated as a subsidiary. There are no minority shareholders and no restrictions on the Council's ability to access or use the assets or settle the liabilities of the group.

Aylesbury Vale Estates Limited (AVE) has been consolidated as an associate as the Council owns 50% of shares

Accounting Policies

Consilio and AVE have prepared 2020/21 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. All three entities have a financial year end of the 31 March

As a subsidiary, the accounts of Consilio have been consolidated with those of the Council on a line by line basis and any balances and transactions between the parties have been eliminated in full. The expenditure and income is included in the relevant service lines in the CIES, and Balance sheet values are incorporated into the relevant headings of the Balance Sheet, removing balances owed between the two parties.

AVE is consolidated as an associate, using the equity basis as required by IAS 28. The Councils share of AVE's profits is shown below the (Surplus)/Deficit on Provision of Services.

Group Accounts

Group Comprehensive Income & Expenditure Statement

	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Adults and Health	274,646	(120,700)	153,946
Children's Services	523,311	(352,863)	170,448
Communities	159,017	(22,995)	136,022
Deputy Chief Executive	31,380	(6,654)	24,726
Planning, Growth & Sustainability	83,243	(18,689)	64,553
Resources	172,771	(112,205)	60,567
Corporate Costs	8,592	(1,108)	7,484
Cost of Services	**1,252,961**	**(635,214)**	**617,747**
Other Operating Expenditure (Note 11)	24,095	-	24,095
Financing and Investment Income and Expenditure (Note 12)	15,029	(22,601)	(7,572)
Taxation and Non-Specific Grant Income (Note 13)	133,788	(715,414)	(581,625)
(Surplus) or Deficit on Provision of Services	1,425,873	(1,373,103)	**52,645**
Share of Suplus on the Provision of Services by Associates			(314)
Group (Surplus) or Deficit on Provision of Services			**52,331**
(Surplus) or Deficit on Revaluation of Non-Current Assets (Note 23)			(104,150)
Surplus or deficit on revaluation of financial assets (Note 23)			139
Remeasurement of the defined benefit liability / (asset) (Note 36)			192,747
Other Comprehensive Income and Expenditure			**88,736**
Total Comprehensive Income and Expenditure			**141,067**

Group Accounts

Group Balance Sheet

	31 March 2021 £000
Property, Plant & Equipment	1,863,261
Heritage Assets	8,892
Investment Property	404,506
Intangible Assets	2,464
Long Term Investments	4,522
Long Term Trade and Other Receivables	64,965
Long Term Assets	**2,371,967**
Short Term Investments	137,177
Temporary Loans	1,336
Assets Held for Sale	6,279
Inventories	228
Short Term Trade and Other Receivables	103,454
Current Assets	**248,474**
Cash and Cash Equivalents	(15,698)
Short Term Borrowing	(15,851)
Short Term Trade and Other Payables	(178,806)
Current Provisions	(7,804)
Current Liabilities	**(218,160)**
Long Term Trade and Other Payables	(29,282)
Provisions and Long Term Liabilities	(6,245)
Long Term Borrowing	(312,698)
Pension Liability	(1,069,555)
Long Term Liabilities	**(1,417,780)**
Net Assets	**984,502**
Usable Reserves	(355,704)
Unusable Reserves	(628,797)
Total Reserves	**(984,502)**

Group Accounts

Notes to the Group Accounts

1. Long Term Trade and other Receivables and Long Term Trade and other Payables

With the elimination of the transactions between the Council and Consilio as its subsidiary, Long Term Receivables and Payables between these parties are excluded. Group Receviables and Payables include balances owed between the Council and AVE as associate and between Consilio and AVE.

Group Long Term Trade and other Receivables

	31 March 2021	Elimination of Group Receviables	Group '31 March 2021
	£000	£000	£000
Reprovisioning of Adult Social Care	10,494		10,494
Finance lease	19,371		19,371
Other Long Term Trade and Other Receivables	70,595	(35,495)	35,100
Total Long Term Trade and Other Receivables	**100,460**	**(35,495)**	**64,965**

Group Long Term Trade and other Payables

	31 March 2021	Elimination of Group Receviables	Group '31 March 2021
	£000	£000	£000
Deposits from Contractors and Others	(55,757)	35,495	- 20,262
Long Term Trade and Other Payables	(9,020)	-	9,020
	(64,777)	**35,495**	**(29,282)**

2. Investment Assets

	2020/21
	£000
Balance at start of the year	361,394
Additions	14,464
Net gains / loses from fair value adjustments	2,970
Transfers to / from Property, Plant and Equipment	(9,196)
Consilion Investment Assets	34,874
Balance outstanding at year end	**404,506**

3. Summary Financial Position of Subsidiary

Consilio has been consolidated in the group accounts as a 100% owned subsidiary. The summary financial position of the company is shown below, for information (taken from the 20/21 accounts).

Consilio Profit and Loss Account

	Notes	2021 £
Turnover		1,238,531
Administrative expenses		(284,066)
Operating profit		954,465
Interest payable and similar expenses		(828,398)
Amounts written off investments	3	-
Profit before taxation		126,067
Tax on profit		-
Profit for the financial year		126,067

Consilio Balance Sheet

	Notes	2021 £	£
Fixed assets			
Investment properties	4		34,874,080
Current assets			
Debtors	5	1,510,728	
Cash at bank and in hand		228,409	
		1,739,137	
Creditors: amounts falling due within one year	6	(537,371)	
Net current assets			1,201,766
Total assets less current liabilities			36,075,846
Creditors: amounts falling due after more than one year	7		(35,494,987)
Provisions for liabilities			(55,664)
Net assets			525,195
Capital and reserves			
Called up share capital			1
Non-distributable profits reserve	8		271,568
Distributable profit and loss reserves			253,626
Total equity			525,195

4. Summary Financial Position of Associate

AVE has been consolidated has been consolidated as an associate on an equity basis, showing the Council's proportionate share of the surplus/deficit on the provision of services and of reserves. The full financial position for AVE is summarised below.

AVE Profit and Loss Account

	2021 £
Turnover	3,142,392
Administrative expenses	(1,271,632)
Other operating income	953,975
Impairment of investment property	(2,334,010)
Profit on sale of investment property	1,907,179
Operating profit	2,397,904
Interest payable and expenses	(1,769,744)
Profit before members' remuneration and profit shares available for discretionary division among members	628,160
Profit/(loss) for the year attributable to:	
Owners of the parent LLP	628,160

AVE Balance Sheet

	Note		2021 £
Fixed assets			
Investment property	6		**34,943,000**
Current assets			
Stocks	7	**7,647,187**	
Debtors: amounts falling due within one year	8	**721,052**	
Cash at bank and in hand	9	**4,195,784**	
		12,564,023	
Creditors: amounts falling due within one year	10	**(794,464)**	
Net current assets			**11,769,559**
Net assets			**46,712,559**
Capital and reserves			
Loans and other debts due to members within one year			
Other amounts	11		**35,489,162**
Members' other interests			
Members' capital classified as equity		**2,564,646**	
Revaluation reserve classified as equity		**17,148,028**	
Other reserves classified as equity		**(8,489,277)**	
			11,223,397
			46,712,559
Total members' interests			
Amounts due from members (included in debtors)	8		**(600)**
Loans and other debts due to members	11		**35,489,162**
Members' other interests			**11,223,397**
			46,711,959

Independent Auditors Report to Members

Buckinghamshire Council

Glossary

Buckinghamshire Council

Accounting Period

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accrual

Accrual accounting is one of the main accounting concepts. It ensures that income / expenditure is shown in the accounting period that it is earned / incurred, and not as money is received or paid.

Actuary

A suitably qualified independent person who advises on the financial position of the Pension Fund.

Actuarial Gains and Losses

Actuarial gains and losses represent changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

Amortisation

A measure of the cost or amount of benefit of an intangible asset that has been consumed during the period.

Appropriation

The transfer of resources between reserves.

Asset

An asset is something that the Authority owns that has a monetary value.

A current asset is one that will be used or cease to have material value by the end of the next financial year e.g. stock or debtors

A non-current asset provides benefits for a period of more than one year e.g. Council Offices

Balance Sheet

A financial statement summarising the financial position of the Authority, in particular its assets, liabilities and other balances at the end of each accounting period.

Billing Authority

A local authority charged by statute with responsibility for the collection of, and accounting for, Council Tax and Non-Domestic Rates.

Budget

A budget is a financial statement that expresses the Authority's service delivery plans and capital programme in monetary terms.

Capital Adjustment Account

This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets.

Capital Expenditure

Expenditure on the acquisition or refurbishment of a non-current asset and other eligible items that will be of benefit to the Authority in providing its services for more than one year.

Capital Financing

This term describes the various sources of money used to pay for capital expenditure.

Capital Programme

This is a plan for capital spending in future years. It shows the capital schemes that the Authority intends to carry out.

Capital Receipt

The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure, but they cannot be used to finance revenue expenditure.

Collection Fund

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

Community Assets

This is the land and property that the Authority intends to hold forever. They generally have no determinable useful life and there are often restrictions regarding their sale. Examples include open spaces.

Council Tax

Council tax is levied on households and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Creditor

This term applies to money the Authority owes to others for work done or goods and services it has received during the financial year but not paid for at the end of the accounting period.

Current Asset

An asset which is easily convertible to cash or expected to become cash within the next year.

Current Liability

An amount which will become payable within the next financial year.

Debtor

This term applies to money that others owe to the Authority for work done or goods and services that have been provided to them by the Authority during the financial year but have not been paid for by the end of the accounting period.

Depreciation

A measure of the cost or amount of benefit of a non-current asset that has been consumed during the period.

Events after the Reporting Period

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed.

External Audit

The independent examination of the activities and accounts of the Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Fair Value

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Fees and Charges

Income raised by charging users of services for the facilities. For example, planning applications fees, charges for the use of leisure facilities etc.

Finance Lease

A lease that transfers all the risks and rewards of ownership of an asset to the lessee. Such assets are included within the lessee's balance sheet.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

General Fund

The main fund of the Authority from which payments are made to meet the costs of providing services.

Government Grants

Grants made by Central Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

Gross Expenditure

The total cost of providing the Authority's services before taking into account income from fees and charges for services, and grants.

Heritage Assets

Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture (e.g. antique furniture, paintings, books and manuscripts).

Housing benefit

An allowance provided by the Authority to persons on low income to meet, in whole or part, their rent. The cost of housing benefit is largely met by a central Government grant.

Impairment

This is a reduction in the value of a non-current asset as shown in the balance sheet to reflect its current value.

Intangible Assets

Assets that do not have physical substance but are identifiable and are controlled by the Authority and bring benefits to the Authority for more than one financial year e.g. software licences.

International Financial Reporting Standards (IFRS)

IFRSs are set by the International Accounting Standards Board, the independent standard setting body of the International Accounting Standards Committee Foundation.

Inventories

These are items of stores that the Authority has bought to use on a continuing basis but has not yet used.

Liability

A liability arises when the Authority owes money or other assets to others.

Materiality

This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

Non-Current Asset

An asset which is not easily convertible to cash or not expected to become cash within the next year.

Non-Domestic Rates (NDR)

A levy on businesses, based on a national rate in the pound set by the Government multiplied by the 'rateable value' of the premises they occupy.

NDR Levy

A levy is payable to DCLG for any growth on NDR income above the amount deemed to be able to collectable.

Operating Lease

This is an agreement for rental of assets where the risks and rewards of ownership of the asset remain with the lessor. Annual rentals are charged to revenue.

Outturn

The actual results for the financial year

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf. Precepts are paid from the Collection Fund.

Provisions

Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

Rateable Value

The annual assumed rental value of a property that is used for business purposes.

Related Parties

Bodies or individuals that have the potential to control or influence the Authority, or to be controlled or influenced by the Authority.

Remuneration

All amounts paid to or receivable by an employee including sums due by way of expenses, allowances and the estimated money value of any other benefits received by an employee otherwise than in cash.

Reserves

Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or 'balances'), which every authority must maintain as a matter of prudence. A reserve results from an accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Authority's discretion.

Residual Value

This is the net realisable value of an asset at the end of its useful life.

Retirement Benefits

Retirement benefits comprise all forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. They do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before normal retirement age or an employee's decision to accept voluntary redundancy.

Revaluation Reserve

An account containing any unrealised surpluses arising from the revaluation of non-current assets.

Revenue Expenditure

The day to day expenses associated with the provision of services.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

An example of this type of expenditure is where a capital grant is made by the Authority to another organisation. This counts as capital expenditure but does not create an asset that belongs to the Authority.

Revenue Support Grant (RSG)

A general grant paid by Central Government to local authorities as a contribution towards the cost of their services.

Section 106 Agreements

Section 106 receipts are monies paid to the Authority by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

Useful Life

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

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Report to Audit & Governance Committee

Date:	25 January 2022
Title:	The Higginson Park Charity Annual Report and Financial Statements 2020/21
Relevant councillor(s):	Cllr Clive Harriss
Authors:	Richard Ambrose (S151), Fiorella Mugari (HoF Communities)
Contact Officers:	Sue Drummond, Sophie Payne
Ward(s) affected:	Marlow

Recommendations: Members are requested to:

(i) Review the Higginson Park Charity audited Annual Report and Financial Statement for the year ended 31 March 2021 attached at Appendix 1 and raise any issues which may provide assurance needed to approve the Annual Report and Financial Statement.

(ii) Subject to above, approve the Annual Report and Financial Statement for 2020/21.

(iii) Authorise the Service Director – Corporate Finance & S151 Officer, following consultation with the Chairman, to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor. A verbal update will be given at the meeting to update Members around any outstanding audit work remaining.

Content of report

1.1 The draft Annual Report and the Financial Statements for the year ended 31 March 2021 have been prepared in accordance with the requirements of the Charities Act 2011 and have adopted the provisions of Accounting and Reporting by Charities Statement of Recommended Practice and Financial Reporting Standards.

1.2 The Higginson Park Charity accounts have been audited by Seymour Taylor Audit Limited. The auditors' report included within Appendix 1 is draft and may change once the outstanding audit work is completed and finalised.

1.3 The net worth of Higginson Park Charity has decreased by £306k from £7,534k in 2020 to £7,228k in 2021, of which £190k was depreciation of assets. The net operating expenditure for the year was a net loss of £269k compared to net income £1,892k in 2019/20, the difference being mainly due to the £2m grant received in 2020.

1.4 COVID-19 restrictions had a significant negative impact on the Charity during FY 2020/21, with leisure centre facilities at Court Garden required to close and events cancelled as a result of the national lockdowns and social distancing restrictions in place.

1.5 Places Leisure, along with all the other national leisure operators, saw facilities in Buckinghamshire required to close for more than eight months of the financial year. During the short periods of reopening, levels of attendance at Court Garden Leisure Centre were minimal due to the mandated social distancing requirements which meant significant reductions in capacity and type of activity allowed or on offer. There were also additional costs, such as increased cleaning regimes to ensure a COVID-secure environment.

1.6 The impact of this was a loss of income of £117k from the closure of the leisure centre as well as a loss of income from events. There was mitigation of £105k for some of these income losses through the Government's Support Scheme – currently the accounts do not reflect this amount as a debtor at year end as the treatment in line with Charity Commission rules first needs to be agreed with the auditors. If not included in this year's SoFA, the amount is expected to be reflected in the next financial year's SoFA.

1.7 With the gradual easing of restrictions during the current financial year in line with the government roadmap, recovery is underway; we have seen a positive trajectory in terms of people returning to the leisure facilities thus far, as well as outdoor events starting to return. However, the pace of recovery remains subject to the evolving position on the pandemic.

Other options considered

1.8 N/A

Legal and financial implications

1.9 All the financial implications are included in the main body of the report and Appendix 1.

1.10 Legal Implications: The report addresses the statutory obligations placed on the Council as Trustee of the Higginson Park Charity, pursuant to section 132 of the Charities Act 2011.

Corporate Implications

1.11 None.

Consultation and communication

1.12 None.

Next steps and review

1.13 Any outstanding work on audit will be finalised over the coming week along with the audit report and any amendments resulting from this work will be actioned before the accounts are signed by the Chair of the Committee and S151 Officer.

Background papers

Appendix 1: Annual Report and Financial Statement

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Charity Number: 284420

HIGGINSON PARK CHARITY

Trustee's Annual Report and Financial Statements for the year ended 31 March 2021

Contents

Registration Number	:	284420
Registered Address	:	The Gateway Aylesbury Buckinghamshire HP19 8FF
Name of Trustee	:	Buckinghamshire Council
Address of Trustee	:	The Gateway Aylesbury Buckinghamshire HP19 8FF
Contact	:	Richard Ambrose Service Director – Corporate Finance
Address	:	The Gateway Aylesbury Buckinghamshire HP19 8FF
Solicitor	:	Solicitor (Buckinghamshire Council)
Address	:	The Gateway Aylesbury Buckinghamshire HP19 8FF
Auditors	:	Seymour Taylor Audit Limited
Address	:	57 London Road High Wycombe Buckinghamshire HP11 1BS

TRUSTEE'S ANNUAL REPORT

The Trustee submits the Report and Financial Statements for the year ended 31 March 2021. The Trustee has adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019).

Structure, Governance and Management

Higginson Park was acquired in October 1928 following the death of its owner in 1921. Funds were raised by private subscription for its purchase for the benefit of the Town of Marlow and to commemorate the one hundredth birthday, on 21 June 1926, of General Sir George Higginson.

Initially, trustees were appointed to administer the funds. Later, a company limited by guarantee was formed to administer the Trust Property - The Higginson Park Society Limited - and in 1928 this Company took a conveyance of part of the property, including Court Garden House. The remainder of the estate was conveyed to Marlow Urban District Council, subject to a covenant to use it as a public park and recreation ground. In 1933, Marlow Urban District Council acquired a 99-year lease of Court Garden House (with no covenant as to use or user) and commenced using the House as offices in 1934.

Subsequently in 1955, Marlow Urban District Council acquired the freehold of Court Garden House when the then lease was merged and extinguished in the freehold, subject to a covenant to use it for recreational purposes. Notwithstanding the covenant, the House continued to be used partly as offices.

In 1974, on local government re-organisation, Wycombe District Council assumed the management and administration of Higginson Park and Court Garden House, including the completion of the Theatre Hall and Leisure Complex, which had been commenced by Marlow Urban District Council.

On 1 November 2018, the Secretary of State for Housing Communities and Local Government announced a single unitary authority for Buckinghamshire replacing the existing 5 councils. The Buckinghamshire Council came into existence from 1 April 2020 and assumed responsibility for Higginson Park and Court Garden House.

The Charity is currently regulated by a Scheme of the Charity Commissioners of 19 January 1982 with Buckinghamshire Council, a local authority, being the sole Trustee. The Council, as Trustee, has the power to make and alter rules with reference to the terms and conditions upon which the property of the Charity may be used by other persons or organisations and may engage and dismiss paid officers and servants as it considers necessary. It is also entitled to use the Charity's income for the cost of repairs, insurance and all other expenditure in respect of the property including incidental administration and management expenses.

Objectives and Activities

The Charity has use of land and buildings which are used primarily for its charitable purpose. Buckinghamshire Council as Trustee of the Charity is under a duty to apply the Charity's property in or towards achieving this purpose, being: 'the provision and maintenance for the benefit of the inhabitants of the district of Wycombe, with particular regard for the inhabitants of the Town of Marlow, of a public park, ornamental gardens and recreation ground, with such facilities for physical exercise, training, lectures, classes and other forms of recreation or leisure-time occupation in the interests of social welfare, with the object of improving the conditions of life for the said inhabitants as the Trustee shall from time to time think fit.'

The Charity property includes the following;

15 acres of Higginson Park which is general parkland

a bowling green

a children's playground

a cricket ground

a maze

a skate park

a leisure complex

The Charity provides a range of indoor and outdoor sports and recreation opportunities to the community with access for all to make use of the available facilities. A wide range of activities takes place over the course of the year, with many events held annually including regular use by local community groups and voluntary organisations. The Trustee's objectives include improving the availability of high quality, accessible leisure opportunities.

Public Benefit Statement

The trustee has due regard to the Charity Commission's public benefit guidance when setting objectives and planning activities. In the Trustee's opinion, the objectives and activities as set out above accord with the Charity Commission's public benefit requirements for Charities.

Achievements and Performance

The Park retained its Green Flag award in 2020/21. Also, the £2m refurbishment project at the Court Garden Leisure Complex was completed in summer 2020 (once construction was allowed to restart in line with Government COVID guidance).

Financial Review

The management of Court Garden Leisure Complex, ('CGLC') which forms part of the Trust, is contracted to Places for People Leisure Ltd for 15 years (contract started on the 1st of July 2014 following an OJEU tender process). The Trustee directly manages the remainder of the Trust property.

The Places for People Leisure contract provides for the income from charges made to use the leisure complex to be retained by Places Leisure and a management fee to be paid by Places Leisure to the Trust; with any surpluses intended to be reinvested in maintaining and enhancing the facilities.

As set out above, during the year 2020/21, the £2m capital refurbishment of the Court Garden Leisure Complex was completed (funded by the Council). This expenditure has been accounted as capital investment on the asset and the funding is accounted as a grant, the grant and the fixed asset is accounted for in the restricted building fund.

The depreciation for the year on the tangible fixed assets was £189,911. The depreciation figure is higher than in previous years due to the additional value of the leisure complex asset following the completion of refurbishment works.

Coronavirus 19 (COVID-19)
20/21 was a very challenging year due to the COVID-19 pandemic and the impact of national lockdowns and restrictions on leisure, events, and group activities.

Places Leisure, along with all other leisure operators, saw facilities required to close for more than eight months of the financial year. During the short periods that leisure centres were able to open, levels of attendance were minimal due to the mandated social distancing requirements which meant significant reductions in capacity and type of activity allowed or on offer. Attendances at Court Garden Leisure Complex during 20/21 were 12,914, a significant reduction compared to previous years (18/19 – 118,182 and 19/20 – 104,554, noting that in 19/20 swim numbers were lower due to pool closure for part of the year).

There were also additional costs, such as increased cleaning regimes to ensure a COVID-secure environment.

By providing support to Places Leisure and its other leisure operators during the pandemic, the Council ensured that the Trust's leisure assets were protected and able to reopen quickly for the benefit of residents once COVID restrictions were eased.

Impact on financial year 2020/21
In 2020/21 a loss of income of £117,000 from the closure of the leisure complex, as well as a loss of income from events, are directly attributable to the restrictions resulting from the COVID-19 pandemic.

Impact on future years
With the gradual easing of restrictions during 2021/22 in line with the government roadmap, recovery is underway; we have seen a positive trajectory in terms of people returning to the leisure facilities thus far, as well as outdoor events starting to return. However, the pace of recovery remains subject to the evolving position on the pandemic and the longer-term impacts on the economy, businesses and individuals cannot yet be fully known.

Going Concern Statement
The Charity has total funds of £7.2m as at 31st March 2021 and is self-sufficient in its operating activities. In addition to this Buckinghamshire Council is committed to the on-going support if and when required of the services and activities provided by the Charity. Therefore, the Charity is considered to be a going concern for the foreseeable future.

Plans for the Future

The works identified in the ten-year Park Management Plan continues and includes ensuring that Higginson Park maintains its Green Flag Award for the foreseeable future and maintaining the now established Friends Group for the Park to support improvements.

Statement of Internal Control

This statement is given in respect of the statement of accounts for Higginson Park Charity. The Trustee acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions were authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. In particular the system includes:

- Comprehensive budgeting systems; and
- Regular reviews of financial reports.

The Audit and Governance Committee will monitor the progress of the identified risks that have been evaluated for frequency and impact using a five by five matrix and graded according to a "traffic light" system. Red represents a material risk that may need urgent management attention moving from orange to green risks that probably require little or no attention.

The majority of identified risks are not high risks and the risk register is a live document: regularly monitored and updated.

The trustee has overall responsibility for ensuring that the Charity has an appropriate system of controls, financial and otherwise. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reassurance that:

- Its assets are safeguarded against unauthorised use or disposition;
- Proper records are maintained and financial information used within the Charity or for publication is reliable; and
- The Charity complies with relevant laws and regulations.

As part of the Charity's risk management process the trustee acknowledges their responsibility for the Charity's system of internal control and reviewing its effectiveness. It is also recognised by the trustee that such a system is designed to manage rather than eliminate the risk of failure to achieve the Charity's objectives and can only provide reasonable, not absolute, reassurance against material misstatement or loss.

The trustee has set policies on risk and internal controls, which cover the following areas in line with the Council's own approach:

- The responsibility of management to implement the trustees' policies and identify and evaluate risks for their consideration on an on-going basis;
- Consideration of the type of risks the Charity faces;

- The level of risks which they regard as acceptable;
- The likelihood of the risks concerned materialising;
- The Charity's ability to reduce the incidence and impact on the business of risks that do materialise;
- Arrangements for monitoring and reporting on risk and control matters of importance, together with details of corrective action being undertaken.

The Charity (through the Audit Committee) has formally reviewed its own risk arrangements and believes that suitable controls are in operation to protect the Charity from exposure to high risks. Staff are properly trained to manage the operational risks that are inherent within the area that the Charity works within.

Reserves Policy
Charity holds unrestricted funds of £210,000 (2020: £289,000). Restricted funds are capital funds where the asset is required to be retained for actual use rather than be expended. The Charity holds restricted funds of £7,018,000 (2020: £7,245,000).

Statement of Trustees responsibilities
The trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales, the Charities Act 2011, Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources, including the income and expenditure, of the Charity for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and to enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved and signed on behalf of the Trustee by

Richard Ambrose, Service Director Corporate Finance

31 January 2022

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE HIGGINSON PARK CHARITY

Opinion

We have audited the financial statements of The Higginson Park Charity (the 'charity') for the year ended 31 March 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2021 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 charity'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.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Report of the Independent Auditors thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Report of the Trustees is inconsistent in any material respect with the financial statements; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibilities for the audit of the financial statements

We have been appointed as auditors under Section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Independent Auditors 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.

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

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- results of our enquiries of management about their own identification and assessment of the risks of irregularities;

- any matters we identified having obtained and reviewed the Charity's documentation of their policies and procedures relating to:
  – identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of noncompliance;
  – detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  – the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to revenue deferrals. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Charity operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Charity's ability to operate or to avoid a material penalty. These included compliance with Financial Conduct Authority regulation for the UK operating segment and compliance with local legislation for the overseas operating segments.

Audit response to risks identified

As a result of performing the above, we identified revenue deferrals as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter. Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- obtained an understanding of provisions and held discussions with management to understand the basis of recognition or non-recognition of tax provisions; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or noncompliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Independent Auditors.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Seymour Taylor Limited, Statutory Auditor
57 London Road
High Wycombe
Buckinghamshire
HP11 1BS

Date: .....

STATEMENT OF FINANCIAL ACTIVITES FOR THE YEAR END 31 MARCH 2021

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2021	Total Funds 2020
		£'000	£'000	£'000	£'000
Income					
Income from charitable activities					
Operation of exercise facilities and park	3	87	0	87	253
Income from other trading activities					
Commercial trading	4	86	0	86	103
Grant income		0	0	0	2,000
Total income		173	0	173	2,356
Expenditure					
Costs of raising funds:					
Commercial trading		47	0	47	6
Expenditure on charitable activities:					
Operation of exercise facilities and park	5	205	190	395	458
Total expenditure		252	190	442	464
Net operating income / (loss)		(80)	(190)	(269)	1,892
Gains / (losses) on revaluation of fixed assets	8	0	(37)	(37)	(2)
Net movement in funds for the year		(80)	(227)	(306)	1,890
Reconciliation of funds					
Total Funds brought forward		289	7,245	7,534	5,644
Total funds carried forward		209	7,018	7,228	7,534

BALANCE SHEET AS AT 31 MARCH 2021

	Note	Charity 2021 £'000	Charity 2020 £'000
Fixed assets			
Tangible assets	8	6,845	7,006
Total fixed assets		6,845	7,006
Current Assets			
Debtors	9	410	672
(Cash at Bank and in Hand)			
Total current assets		410	672
Liabilities			
Creditors: Amounts falling due within one year	10	(28)	(144)
Net Current assets		382	528
Total assets less current liabilities		7,227	7,534
Net assets		7,227	7,534
The funds of the Charity:			
Restricted income funds	13	7,018	7,245
Unrestricted income funds		210	289
Total Charity funds		7,228	7,534

The notes at pages 14 to 21 form part of these accounts

Approved and signed on behalf of the Trustee on 31 January 2022

Richard Ambrose

Service Director of Corporate Finance & S151 Officer

Buckinghamshire
Council
The Gateway, Aylesbury, Buckinghamshire, HP19 8FF

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

The Higginson Park Charity is a charity registered in England and Wales. The Charity number is 284420. The Registered Address and principal place of activity The Gateway, Aylesbury, Buckinghamshire, HP19 8FF. The principal activities of the Charity are as disclosed within the Trustee's Annual Report on pages 3 - 7.

The presentational currency of these financial statements is sterling (£), being the currency of the primary economic environment in which the Charity operates. All amounts in the financial statements are rounded to the nearest £1,000 unless otherwise stated.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise stated.

2 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a. Basis of preparation

The financial statements of the charity, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Charities Act 2011. The financial statements have been prepared under the historical cost convention.

b. Preparation of accounts on a going concern basis

In light of the ongoing Coronavirus (COVID-19) pandemic, the trustees consider that the charitable trust, supported by Buckinghamshire Council, has adequate resources to continue in operational existence for the foreseeable future. Thus, the trustees continue to adopt the going concern basis of accounting in preparing the accounts.

c. Income

Income consists of rental income, leisure activity income, and charges. Income is included in the financial statements as it falls due except car parking and leisure activities income which is included in the accounts on a receipts basis. All income is shown exclusive of VAT.

NOTES TO THE FINANCIAL STATEMENTS – continued

d. Expenditure
Direct charitable expenditure is incurred on an accruals basis and includes maintenance of the property and provision of the activities of the Charity. All expenditure is shown exclusive of VAT.

e. Capital expenditure
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis.

f. Tangible fixed assets
Property, Plant and Machinery are valued on the basis of depreciated replacement cost. The value below which Property, Plant and Equipment are not capitalised is £10,000.

g. Investment property
Investment properties are properties which are held either to earn rental income, or for capital appreciation, or both.

Investment properties are measured at cost upon initial recognition. The initial cost of the property comprises of its purchase price and any directly attributable expenditure.

Subsequently, where the fair value can be measured reliably without undue cost or effort, investment property is measured at fair value at each reporting date with changes in fair value recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

h. Depreciation
Individual fixed assets are depreciated over their estimated useful economic lives on a straight-line basis. Freehold land is not depreciated. Assets included in the equipment classification are being depreciated at a rate of 10% on a straight-line basis. The impact on the accounts is that a depreciation charge is made through the Statement of Financial Activities each year.

i. Impairment Review of Property, Plant and Equipment
Impairment reviews will be carried out only where there is some indication that the recoverable amount of a functional Property, Plant and Equipment is below its net book value.

j. Allocation of support costs
Buckinghamshire Council incurred costs, which are shared between numbers of activities, including those relating to the Charity. The Council apportions costs where necessary on the basis of the amount of officer time spent on the activities.

NOTES TO THE FINANCIAL STATEMENTS – continued

j. Taxation
The Charity is exempt from taxation on its charitable activities.

k. Financial instruments
Financial Liabilities are recognised on the Balance Sheet when the the Trust becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at the amortised cost.

Financial Assets are classified into three types as summarised below:

Category	Balance Sheet	Statement of Financial Accounts
Amortised Cost	Amortised Cost	Movements in amortised cost are debited / credited to the surplus or deficit on the fund.
Financial Value through Other Comprehensive Income and Expenditure	Fair Value	Movements in fair value are debited / credited to Other Comprehensive Income and Expenditure
Financial Value through Profit & Loss	Fair Value	All gains and losses are posted to the fund

As at 31st March 2021 the Trust does not have any financial instruments.

l. Significant judgements and estimates
The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of income, expenditure, assets and liabilities. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

NOTES TO THE FINANCIAL STATEMENTS – continued

3 Income from charitable activities

	Unrestricted funds 2021	Unrestricted funds 2020
	£'000	£'000
Income from facilities for physical exercise	-	128
Income from other recreation or leisure-time occupation	87	125
Total income from charitable activities	87	253

4 Income from other trading activities

	Unrestricted funds 2021	Unrestricted funds 2020
	£'000	£'000
Income from other property	86	65
Income from events	-	38
Total income from other trading activities	**86**	**103**

5 Analysis of expenditure on charitable activities

	Facilities for physical exercise	Other recreation or leisure-time occupation	2021 Total	2020 Total
	£'000	£'000	£'000	£'000
Car park costs	-	17	17	26
Depreciation	190	-	190	142
Maintenance to grounds	-	33	33	46
Repairs / Maintenance	-	21	21	-
Support costs (see note 7)	117	17	134	135
Business Rates	-	-	-	(8)
Various Fees	-	-	-	6
Loss of Leisure income rebate	-	-	-	111
Total	**307**	**88**	**395**	**458**

NOTES TO THE FINANCIAL STATEMENTS – continued

6 Summary analysis of expenditure and related income for charitable activities

	Facilities for physical exercise	Other recreation or leisure-time occupation	2021 Total	2020 Total
	£'000	£'000	£'000	£'000
Costs	(307)	(88)	(395)	(458)
Physical exercise	-	-	-	128
Recreation or leisure-time	-	87	87	125
Net cost funded from other income	(307)	(1)	(308)	(205)

7 Analysis of support costs

The Charity does not directly employ any staff. Buckinghamshire Council employees and support services are apportioned between various activities; refer to the table below for the basis of the apportionment.

	Facilities for physical exercise	Other recreation or leisure-time occupation	Total	Basis of apportionment
Governance	11	-	11	Allocated on time
Insurance	10	-	10	Allocated on risk
Accountancy, legal and other professional services	34	6	40	Allocated on time
General office	60	11	71	Allocated on time
Utilities	1	-	1	
Total	117	17	134	

NOTES TO THE FINANCIAL STATEMENTS – continued

8 Tangible fixed assets

	Investment Properties	Land & Buildings	Equipment	Total
Cost or valuation	£'000	£'000	£'000	£'000
As at 1 April 2020	1,102	6,891	442	8,435
Additions	-	66	-	66
Revaluations	(37)	-	-	(37)
As at 31 March 2021	**1,065**	**6,957**	**442**	**8,464**
Depreciation and impairments				
As at 1 April 2020	-	988	441	1,429
Charge for the year	-	189	1	190
As at 31 March 2021	**-**	**1,177**	**442**	**1,619**
Net book value				
As at 1 April 2020	1,102	5,903	1	7,006
As at 31 March 2021	**1,065**	**5,780**	**-**	**6,845**

Investment Property and Land & Buildings comprise of a leisure complex, a suite of offices, car park and a number of adhoc buildings leased by sports clubs. The Investment Property assets were valued at 31st March 2021 by Wilks Head & Eve. The Land & Buildings are held at cost and the Investment Property is included at the revalued amount.

The historical cost of the Investment Property amounts to £1,048,500.

9 Debtors

	2021	2020
	£'000	£'000
Other debtors	410	672
Trade debtors	-	-
	410	**672**

10 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Other creditors and accruals	-	121
Deferred income	28	23
	28	**144**

NOTES TO THE FINANCIAL STATEMENTS – continued

11 Deferred income

Deferred income comprises advance payments from commercial leases.

	£'000
Balance as at 1 April 2020	23
Amount released to income earned from commercial trading	(23)
Amount deferred in year	28
Balance as at 31 March 2021	28

12 Analysis of movement in charitable funds

Restricted funds are capital funds where the asset is required to be retained for actual use rather than be expended. Accordingly, the only movements on restricted funds relate to the additions, revaluation and depreciation of tangible fixed assets.

Unrestricted funds are expendable at the discretion of the trustee in furtherance of the objects of the Charity

	Restricted	Unrestricted	Total
	£'000	£'000	£'000
Balance at 1st April 2020	7,245	289	7,534
Income in the year	-	173	173
Gains / (losses)	(37)	-	(37)
Expenditure in the year	(190)	(252)	(442)
Deferred Income	-	-	-
Balance as at 31 March 2021	7,018	210	7,228

Comparatives for movements in charitable funds

	Restricted	Unrestricted	Total
	£'000	£'000	£'000
Balance at 1 April 2019	5,389	255	5,644
Income in the year	-	356	356
Gains / (losses)	(2)	-	(2)
Expenditure in the year	(142)	(322)	(464)
Deferred Income	2,000	-	2,000
Balance as at 31 March 2020	7,245	289	7,534

The restricted funds of the Charity are in relation to the tangible fixed assets held.

NOTES TO THE FINANCIAL STATEMENTS – continued

13 Analysis of net assets between funds

	Restricted	Unrestricted	Total
	£'000	£'000	£'000
Tangible fixed assets	6,845	-	6,845
Net current assets	173	210	383
	7,018	210	7,228

14 Related Party Transactions

During the financial year 2020/21 Buckinghamshire Council was the sole Trustee and related party.

A balance was due from Buckinghamshire Council to The Higginson Park Charity as at 31 March 2020 which amounted to £210,000 (2020: £289,000).

Higginson Park Charity is eligible for on-going financial support provided by the Council if required.

15 Other Major Events

In light of the ongoing impacts of the Coronavirus "COVID-19" throughout the financial year, the trustees have reviewed and stress tested budgets for the next twelve months. Following this review, the trustees consider there to be little impact on the Charity's ability to act as a going concern, the Charity has good reserves and cashflow as any deficit in the Charity will be funded by Buckinghamshire Council as part of the agreement of 1974.

The trustees have reviewed the supply chains, key customers and the capital resources available and consider that the Charity has adequate resources in place to continue trading for the next twelve months.

Report to Audit and Governance Committee

Date: 25th January 2022

Title: Treasury Management Strategy 2022/23

Relevant councillor(s): Cllr John Chilver, Cabinet Member for Finance, Resources, Property and Assets and Cllr Timothy Butcher, Deputy Cabinet Member for Finance, Resources, Property and Assets

Author and/or contact officer: Julie Edwards

Recommendations: The Audit and Governance Committee are asked to recommend the Council's Treasury Management Strategy Statement (TMSS) for 2022/23 to Council to agree at its meeting on 23rd February 2022.

The Audit and Governance Committee are asked to recommend the operational boundary for external borrowing, the authorised limit for external borrowing, the maturity structure of borrowing and the upper limit for principal sums invested for longer than 365 days to Council to agree at its meeting on 23rd February 2022.

Executive summary

1.1 The Council is required to approve a treasury management strategy statement before the start of each financial year. The table below is a summary of the Council's treasury position on 31st March 2021 and 31st December 2021.

31st March 2021 £m	%	Treasury Portfolio	31st December 2021 £m	%
Treasury Investments				
0.00	0%	Banks & Building Societies	10.00	5%
68.85	48%	Local Authorities (invested less than 364 days)	103.00	50%
29.17	20%	Money Market Funds	62.36	30%
15.35	11%	UK Government	0.00	0%
10.00	7%	Local Authorities (invested longer than 364 days)	10.00	5%
20.00	14%	Property Fund	20.00	10%
143.37	**100%**	**Total Treasury Investments**	**205.36**	**100%**
External Borrowing				
-286.46	91%	PWLB[1]	-280.59	90%
-30.00	9%	LOBOs[2]	-30.00	10%
-316.46	**100%**	**Total External Borrowing**	**-310.59**	**100%**
Net treasury investments / (Borrowing)				
-173.09		**Net Treasury Investments /(Borrowing)**	**-105.23**	

[1] PWLB Public Works Loans Board. The PWLB is a statutory body, part of HM Treasury; its purpose is to lend money to local authorities. The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

[2]LOBOs Lender Option Borrower Option. LOBOs are long term borrowing instruments which include an option for the lender to periodically revise the interest rate. If the lender decides to revise the interest rate, the borrower then has the option to pay the revised interest rate or repay the loan.

1.2 The Council continues to pursue a strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep external financing costs low. The Council will continue the strategy of internal borrowing while it makes sense to continue to do so. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs and to potentially take advantage of possible increasing interest rates over the forthcoming year. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks.

1.3 The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The Council is actively reviewing

opportunities for borrowing at low rates if borrowing is required to finance items within the capital programme. The continuation of the Council's strategy of using surplus cash instead of external borrowing, keeping external financing costs low. The Medium Term Financial Planning process for 2022/23 and future years has taken a zero based approach to treasury management budgets.

1.4 Following a competitive tendering process, Link Treasury Services Limited (Link) were appointed as the Council's treasury advisor with effect from 1 August 2021. Link provided a training session for members of the Audit & Governance Committee in September and they advised the Council in developing the Treasury Management Strategy Statement (TMSS) for 2022/23, including investment counterparties and borrowing requirements. Changes to the TMSS includes introducing the definition of specified and non-specified investments. Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year. Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The maximum exposure non-specified treasury management investments is £100m.

1.5 The Council has also determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent), previously the minimum sovereign credit rating was AA. The cash limit for AA+, AA and AA- sovereign rated foreign countries is £10m per country – Canada, Finland and the U.S.A. are AA+, Abu Dhabi (UAE), and France are AA, Belgium, Hong Kong, Qatar and the United Kingdom are AA-. The cash limit for AAA sovereign rated countries is £20m per country – Australia, Denmark, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden and Switzerland are AAA. These lists will be added to, or deducted from, by officers should ratings change in accordance with this policy. In addition, no more than £50m will be placed with any non-UK country at any time, limits in place above will apply to a group of companies and sector limits will be monitored regularly for appropriateness. Also, lending limits for each counterparty will be set through applying a matrix table applying the creditworthiness service provided by the Link Group which employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies. Ultra-short dated bond funds have also been added to the counterparty list.

Content of report

1.6 In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Procedures (part of the constitution), this Council is required to submit a treasury management strategy statement for the following financial year to the Audit and Governance Committee to consider on 25th January 2022, prior to the Council agreeing the strategy at its meeting on 23rd February 2022. The draft Treasury Management Strategy Statement for 2022/23 is attached as Appendix 1 to this report. The strategy for 2022/23 covers the current treasury position, treasury indicators which limit the treasury risk and activities of the Council, prospects for interest rates, the borrowing strategy, policy on borrowing in advance of need, debt rescheduling, the investment strategy, creditworthiness policy and the policy on use of external service providers.

1.7 The Code of Practice defines Treasury Management as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Treasury management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code).

1.8 The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The Council is asked to approve the following limits to borrowing activity:

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed.

Operational boundary £m	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Debt	395	410	410	410
Other long-term liabilities	7.5	7.5	7.5	7.5
Total	**402.5**	**417.5**	**417.5**	**417.5**

1.9 **The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be approved by full

Council. If there is a possibility that the Council is likely to exceed the agreed authorised limit, then full Council approval would be required in advance. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit £m	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Debt	495	510	510	510
Other long-term liabilities	10	10	10	10
Total	**505**	**520**	**520**	**520**

1.10 **Maturity structure of borrowing.** These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of borrowing 2022/23		
	Lower	**Upper**
Under 12 months	0%	15%
12 months to 2 years	0%	17%
2 years to 5 years	0%	22%
5 years to 10 years	0%	34%
10 years to 20 years	0%	33%
20 years to 30 years	0%	33%
30 years to 40 years	0%	30%
40 years to 50 years	0%	30%

1.11 This Council has defined the list of types of investment instruments that the treasury management team are authorised to use. Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year. Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The maximum exposure to non-specified treasury management investments is £100m.

1.12 The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The cash limit for AA+, AA and AA- sovereign rated foreign countries is £10m per country – Canada, Finland and the U.S.A. are AA+, Abu Dhabi (UAE), and France are AA, Belgium, Hong Kong, Qatar and the United Kingdom are AA-. The cash limit for AAA sovereign rated countries is £20m per country – Australia, Denmark, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden and Switzerland are AAA. These lists will be added to, or deducted from, by officers should ratings change in accordance with this policy.

1.13 In addition, no more than £40m will be placed with any non-UK country at any time, limits in place above will apply to a group of companies and sector limits will be monitored regularly for appropriateness.

1.14 The Council's investment strategy sets out the approach for choosing investment counterparties. They are based on a system of credit ratings provided by the three main credit rating agencies and supplemented by additional market data (such as rating outlooks, credit default swaps and bank share prices) provided by our treasury advisors.

1.15 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

1.16 Lending limits for each counterparty will be set through applying the matrix table overleaf. This Council will apply the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

	Colour (and long-term rating	**Counterparty**	**Transaction**	**Time**

	where applicable)	Limit £m	limit £m	limit
Banks *	yellow	£20m	£10m	5yrs
Banks	purple	£20m	£10m	2 yrs
Banks	orange	£20m	£10m	1 yr
Banks – part nationalised	blue	£20m	£10m	1 yr
Banks	red	£10m	£5m	6 mths
Banks and Building Societies	green	£10m	£5m	100 days
Banks and Building Societies	No colour	Not to be used	-	-
Limit 3 category – Council's banker (where "No Colour")	-	Minimal balances	Minimal balances	1 day
Debt Management Agency Deposit Facility (UK Government)	UK sovereign rating	Unlimited	£100m	6 months
Local authorities (sector limit £75m)	n/a	£10m	£10m	5 yrs
Housing associations (sector limit £25m)	Colour bands	£5m	£5m	As per colour band
	Fund rating**	**Counterparty Limit**		**Time Limit**
Money Market Funds CNAV[1]	AAA	£30m		liquid
Money Market Funds LVNAV[2]	AAA	£30m		liquid
Money Market Funds VNAV[3]	AAA	£30m		liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£30m		liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light pink / AAA	£30m		liquid

CNAV[1] – Constant Net Asset Value
LVNAV[2] – Low Volatility Net Asset Value
VNAV[3] – Variable Net Asset Value

1.17 The Council will invest with other local authorities. However, where a local authority has issued a section 114 notice or has been granted permissions to use capital to

help with their revenue budgets the investment can only placed with the prior approval of the Service Director – Corporate Finance and Section 151 Officer in consultation with the Cabinet Member for Finance, Resources, Property and Assets. If a local authority that the Council has invested in subsequently issues a section 114 or is given a capitalisation directive, then this will be reported to the Audit and Governance Committee at the earliest opportunity.

1.18 The Council is asked to approve the following treasury indicator and limit for the total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days			
£m	**2022/23**	**2023/24**	**2024/25**
Principal sums invested for longer than 365 days	£25m	£25m	£25m
Current investments as at 31st December 2021 in excess of 1 year maturing in each year	£0m	£10m	£0m

1.19 CIPFA published revised Treasury Management Code and Prudential Code on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year.

1.20 The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices(TMPs));
- ensure that any long term treasury investment is supported by a business model;

- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

1.21 In addition, all investments and investment income must be attributed to one of the following three purposes: -

- **Treasury management** Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.
- **Service delivery** Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".
- **Commercial return** Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not arrange new borrowing from the PWLB to invest primarily for financial return, there is no requirement to sell existing commercial acquisitions.

1.22 As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

1.23 Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report. The changes represent good practice and we don't envisage any issues implementing the changes.

Legal and financial implications

1.24 The publication of an annual strategy, a mid-year treasury report and an annual treasury management report conforms to best practice as required by the Code of Practice CIPFA Treasury Management in the Public Services.

Corporate implications

1.25 There are none.

Treasury Management Strategy Statement 2022/23

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities. Investments held for service purposes or for commercial profit are considered in the Capital and Investment Strategy rather than the Treasury Management Strategy document. This will cover in detail the capital plans for the Council (including the capital related prudential indicators), the minimum revenue provision (MRP) policy and non-financial investments (such as Property).

1.2 Reporting requirements

1.2.1 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** – Receiving this report is delegated to the Audit and Governance Committee, it is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – Receiving this report is delegated to the Audit and Governance Committee, it is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers:

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Members of the Audit and Governance Committee attended a Treasury Management training session in September 2021 and further training will be

arranged as required. The training needs of treasury management officers are periodically reviewed. Representatives from the Council's treasury management advisors have also met and discussed treasury management activities with the Cabinet Member for Finance, Resources, Property and Assets and the Deputy Cabinet Member for Finance, Resources, Property and Assets

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

2 The Capital Financing Requirement 2022/23 – 2024/25

The Capital and Investment Strategy covers in detail the capital expenditure plans for the Council (including the capital related prudential indicators), the minimum revenue provision (MRP) policy and non-financial investments (such as Property).

2.1 The Council's borrowing need (the Capital Financing Requirement)

The Council's Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

£m	**2020/21 Actual**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Capital Financing Requirement					
	567.74	579.42	579.76	573.78	564.44

3 Borrowing

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31st March 2021 and for the position as at 31st December 2021 are shown below for both borrowing and investments.

31st March 2021 £m	%	Treasury Portfolio	31st December 2021 £m	%
Treasury Investments				
0.00	0%	Banks & Building Societies	10.00	5%
68.85	48%	Local Authorities (invested less than 364 days)	103.00	50%
29.17	20%	Money Market Funds	62.36	30%
15.35	11%	UK Government	0.00	0%
10.00	7%	Local Authorities (invested longer than 364 days)	10.00	5%
20.00	14%	Property Fund	20.00	10%
143.37	**100%**	**Total Treasury Investments**	**205.36**	**100%**
External Borrowing				
-286.46	91%	PWLB	-280.59	90%
-30.00	9%	LOBOs	-30.00	10%
-316.46	**100%**	**Total External Borrowing**	**-310.59**	**100%**
Net treasury investments / (Borrowing)				
-173.09		**Net Treasury Investments /(Borrowing)**	**-105.23**	

The table below summarises the Council's underlying borrowing requirement showing external and internal borrowing at 31st March 2021 and 31st December 2021. The 31st March 2021 position analyses the Council's balance sheet. The 31st December 2021 position shows an increase in working capital as external borrowing has reduced and external investments have increased.

	31 Mar 2021	31 Dec 2021
Capital Financing Requirement (CFR)	567	567
Less Finance Lease	-19	-19
Underlying Borrowing Requirement	**548**	**548**
External Borrowing	328	310
Internal Borrowing	**220**	**238**

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	**2020/21 Actual**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
External Debt					
Debt at 1 April		316.64	309.82	405.54	405.27
Expected change in Debt		-6.82	95.72	-0.27	-3.39
Actual gross debt at 31 March	316.64	309.82	405.54	405.27	401.88
The Capital Financing Requirement	567.74	579.42	579.76	573.78	564.44
Under / (over) borrowing	**251.10**	**269.60**	**174.22**	**168.51**	**162.56**

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Service Director – Corporate Finance and Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The 2022/23 and later financial years takes into account the £100m potential borrowing that Council has delegated to Cabinet where there exists a robust and financially viable business case.

Operational boundary £m	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Debt	395	410	410	410
Other long-term liabilities	7.5	7.5	7.5	7.5
Total	**402.5**	**417.5**	**417.5**	**417.5**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be approved by full Council. If there is a possibility that the Council is likely to exceed the agreed authorised limit, then full Council approval would be required in advance. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £m	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Debt	495	510	510	510
Other long-term liabilities	10	10	10	10
Total	**505**	**520**	**520**	**520**

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The Council is asked to approve the following treasury indicator and limits:

Maturity structure of borrowing 2022/23		
	Lower	**Upper**
Under 12 months	0%	15%
12 months to 2 years	0%	17%
2 years to 5 years	0%	22%
5 years to 10 years	0%	34%
10 years to 20 years	0%	33%
20 years to 30 years	0%	33%
30 years to 40 years	0%	30%

40 years to 50 years	0%	30%

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Link's forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.

- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.

- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- Link does not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October 2021 and April 2022 and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt

yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant <u>UPWARD RISK</u> exposure to Link's forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its $120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

There are also possible **<u>DOWNSIDE RISKS</u>** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era for local authority investing
– a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- ***For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- On 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

    - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)

- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- **Borrowing for capital expenditure.** Link's long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a "cost of carry" but also wishes to mitigate future re-financing risk.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Service Director – Corporate Finance and Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates. If rescheduling was done, it will be reported to the Treasury Management Group and the Audit and Governance Committee.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved sources of long- and short-term borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●

Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4 Annual Investment Strategy

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital and Investment Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use.

   - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
   - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of £100m.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in 4.2.

8. This Council will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31st March 2023.

However, this Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are changed from last year. This Council has defined the list of types of investment instruments under the categories of 'specified' and 'non-specified' investments, introduced a limit of £100m for non-specified treasury management investments.

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	**Counterparty Limit £m**	**Transaction limit £m**	**Time limit**
Banks *	yellow	£20m	£10m	5yrs
Banks	purple	£20m	£10m	2 yrs
Banks	orange	£20m	£10m	1 yr
Banks – part nationalised	blue	£20m	£10m	1 yr
Banks and Building Societies	red	£10m	£5m	6 mths
Banks and Building Societies	green	£10m	£5m	100 days
Banks	No colour	Not to be used	-	-
Limit 3 category – Council's banker (where "No Colour")	-	Minimal balances	Minimal balances	1 day
Debt Management Agency Deposit Facility (UK Government)	UK sovereign rating	Unlimited	£100m	6 months
Local authorities (sector limit £75m)	n/a	£10m	£10m	5 yrs
Housing associations (sector limit £25m)	Colour bands	£5m	£5m	As per colour band
	Fund rating**	**Counterparty Limit**		**Time Limit**
Money Market Funds CNAV[1]	AAA	£30m		liquid
Money Market Funds LVNAV[2]	AAA	£30m		liquid

Money Market Funds VNAV[3]	AAA	£30m		liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£30m		liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light pink / AAA	£30m		liquid

CNAV[1] – Constant Net Asset Value
LVNAV[2] – Low Volatility Net Asset Value
VNAV[3] – Variable Net Asset Value

Creditworthiness.
Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices
Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

Other Local Authorities
The Council will invest with other local authorities. However, where a local authority has issued a section 114 notice or has been granted permissions to use capital to help with their revenue budgets the investment can only placed with the prior approval of the Service Director – Corporate Finance and Section 151 Officer in consultation with the Cabinet Member for Finance, Resources, Property and Assets. If a local authority that the Council has invested in subsequently issues a section 114 or is given a capitalisation directive, then this will be reported to the Audit and Governance Committee at the earliest opportunity.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments to £100m treasury management investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit**

rating of AA- from Fitch (or equivalent). The cash limit for AA+, AA and AA- sovereign rated foreign countries is £10m per country – Canada, Finland and the U.S.A. are AA+, Abu Dhabi (UAE), and France are AA, Belgium, Hong Kong, Qatar and the United Kingdom are AA-. The cash limit for AAA sovereign rated countries is £20m per country – Australia, Denmark, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden and Switzerland are AAA. These lists will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- no more than £40m will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%

2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	**2022/23**	**2023/24**	**2024/25**
Principal sums invested for longer than 365 days	£25m	£25m	£25m
Current investments as at 31st December 2021 in excess of 1 year maturing in each year	£0m	£10m	£0m

4.5 Investment performance / risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day SONIA compounded rate.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report to the Audit and Governance Committee.

4.7 External fund managers

£20m of the Council's funds are externally managed in a pooled property fund by CCLA (Churches, Charities and Local Authorities). A significant proportion of the Council's funds are invested in liquid Money Market Funds MMF), there is a limit of £30m per MMF but no overall sector limit.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Council is provided with a suite of regular reporting from its managers.

Related Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. The Council will only use derivatives for risk management purposes, not for speculative purposes.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure it fully understands the implications. After undertaking due diligence and seeking advice from the Council's treasury advisers, the Council will only enter into financial derivatives if there is a strong case and the proposal is approved by the Cabinet Member for Resources. The Chairman of the Audit and Governance Committee will be notified before the Council enters into financial derivatives.

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Audit and Governance Committee

Date:	25 January 2022
Reference number:	N/A
Title:	2021/22 Business Assurance Strategy Update (incl. Internal Audit Plan)
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	**Members are recommended to note the report**
Reason for decision:	N/A

1. Executive summary

1.1 The purpose of the report is to present the 2021/22 Business Assurance Strategy update, including progress against the Internal Audit Plan.

1.2 The 2021/22 Internal Audit Plan has been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working around the service reviews that are currently in progress.

2. Content of report

2.1 The Business Assurance Strategy; including the Internal Audit Plan was agreed by the Audit Board and by the Audit and Governance Committee in June 2021. The Internal Audit Plan was produced with reference to the Strategic and Directorate Risk Registers; and informed through discussion with the Senior Leadership Teams for each Directorate, Heads of Finance, Section 151 Officer and the Deputy Chief Executive.

2.2 The Internal Audit Plan has continued to be dynamic in nature with activity reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities.

2.3 Quarterly Business Assurance updates are presented to each Directorate Leadership Team providing updates on the planned audit and assurance activity, which are 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 and expectations of the organisation as best we can.

2.4 Progress against 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.

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BUCKINGHAMSHIRE COUNCIL

Business Assurance Update and Progress against the Internal Audit Plan 2021/22

Maggie Gibb

Head of Business Assurance (& Chief Internal Auditor)

January 2022

Appendix

Contents

1. Introduction

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

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

1.2 This report outlines the work being undertaken by the Business Assurance Team for the current financial year to date. The Internal Audit, Risk Management, Counter Fraud and Assurance work plans were produced with reference to the Strategic and Service Risk Registers along with consultation with Senior Leadership Teams for each Directorate. The current year plans considered activities that were scheduled for delivery in 20/21 but had to be paused due to the pandemic. A risk-based methodology was applied in developing the plans, to ensure that assurance work remained focussed on the Councils key risks and priorities; therefore work not undertaken in 20/21 is not necessarily included in this year for delivery. The planning process took these deferred activities into account and through discussions with Directorates we re-evaluated the risks to determine whether the work should be included in the current year plans.

1.3 The Business Assurance work plans continue to be dynamic in nature and are reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. Quarterly updates on Business Assurance activities have been presented to each directorate leadership team providing them with an overview of the Internal Audit activities including progress on implementation of audit actions; and a risk management update on escalated risks with status of risk reviews. In this quarter Internal Audit will begin developing the audit plan for 2022/23. Horizon scanning and reviews of risk registers will be undertaken ahead of the consultations with senior management. A draft plan will be presented to each directorate leadership team agreement prior to being submitted to the Audit Board for review and presented to Audit and Governance Committee for approval.

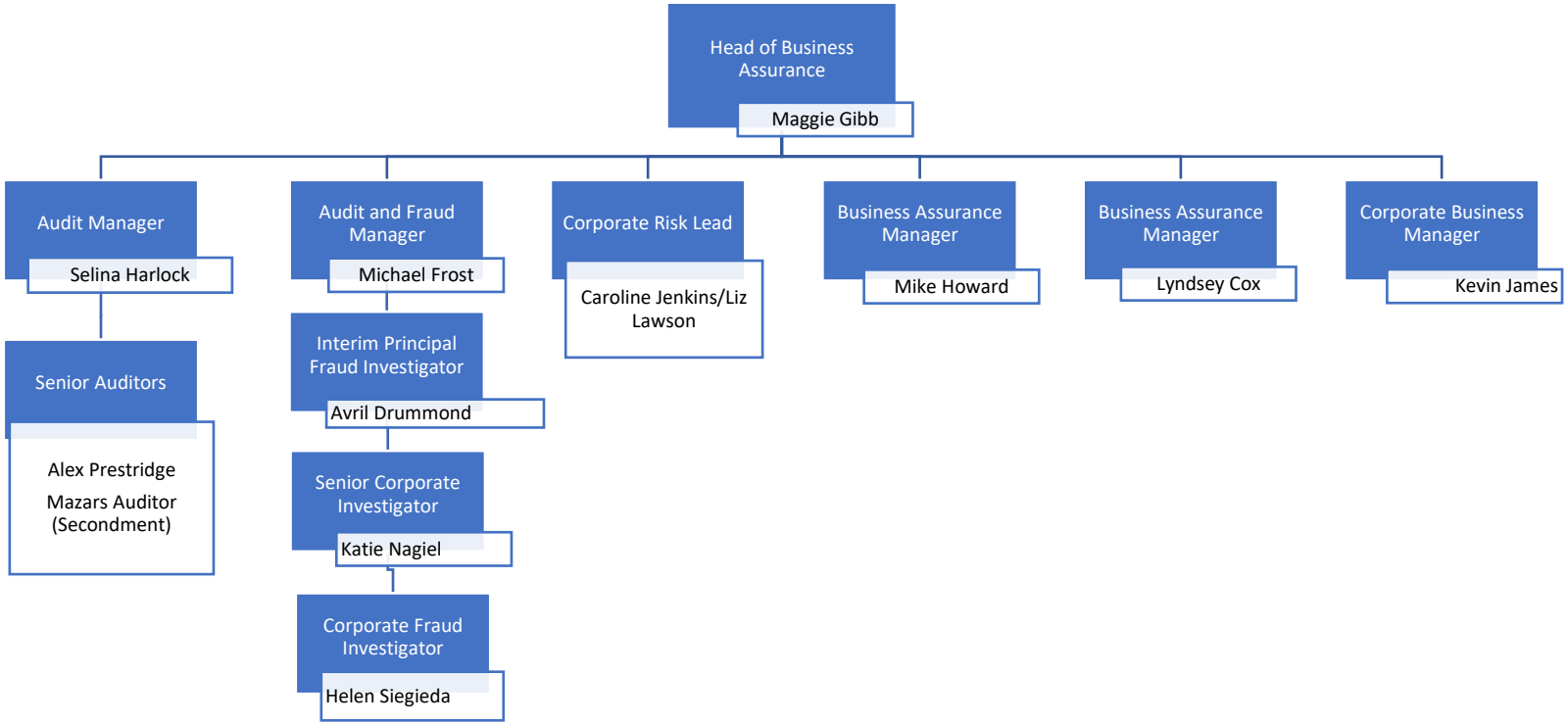
1.4 The Business Assurance Team has is currently subject to the Service Review process, and initial workshops have been held to discuss the various responsibilities and pressures across the teams. We are in the process of gathering benchmarking data to support the review and assist in forming structures going forward.

1.5 The CIPFA review of the Business Assurance service has been completed, and at the time of this report we are awaiting the output from that review.

2. Resources

2.1 The Business Assurance Team has remained unchanged, and we continue to resource work plans 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. This arrangement allows for a flexible approach and enables us to respond swiftly to urgent requests for resource such as for investigations. The framework also enables us to request specialist resource such as IT auditors and contract auditors where the in-house team do not have the appropriate technical skills.

Business Assurance Team Structure:



3 Risk Management

3.1 The Business Assurance Team has continued to embed risk management across Buckinghamshire Council. We have been reviewing the risks in more detail to ensure that the magnitude of risks is understood and that there are appropriate internal controls and/or actions undertaken to mitigate risks and address some of the risk gaps identified.

3.2 We have continued to provide risk management training sessions that have been delivered across the organisation to ensure that officers are aware of their roles and responsibilities in relation to risk management. We have also begun looking at how we may expand our delivery methods through pre-recorded videos and e-learning.

3.3 The next meeting of the Risk Management Group is due to be held on 7 February 2022, with the Corporate Director for Resources attending to discuss key risks faced by the Resources directorate.

4 Internal Audit

4.1 The Internal Audit function has continued to progress with the delivery of the approved 2021/22 audit assignments. Whilst we have an agreed Internal Audit plan which was approved as part of the Business Assurance Strategy, we have adopted a more fluid approach in the delivery of the audit plan. We regularly review the Internal Audit plan through discussions with Directorate Leadership Teams to help ensure that the assurance activities are continuously aligned and focused on emerging issues/ risks. Any significant deviation from the approved Internal Audit Plan is communicated through the periodic activity reporting process. From review of the plan with directorates, 21 audits have been deferred, four have been cancelled and three new audits have been added to the plan. The deferred and cancelled audits are highlight in blue in Appendix 1.

4.2 The plan and allocation of audit days is regularly reviewed by the Audit Manager and Head of Business Assurance (& Chief Auditor) and activities re-prioritised and days increased or decreased where necessary.

4.3 The Internal Audit Team has continued to make good progress against plans. From the 21/22 plan the team have issued two final reports, ten audits are at draft reporting stage, seven are at fieldwork stage and 24 are being scoped. Ten grant verifications have been completed to date. See Appendix 1 for a summary update against the plan.

4.4 Using the audit tool, 'Pentana', Internal Audit have been monitoring implementation of audit actions. Follow-up of management actions is a continuous task that is undertaken by the auditors alongside their assigned audit engagements.

4.5 Progress against implementing audit actions is reported to each of the Directorate leadership team meetings on a regular basis, and outstanding audit actions are reported to the Corporate Management Team (CMT). The next report to CMT will be on 24 February 2022. A full update will be presented to the Audit and Governance Committee on 22 March 2022.

4.6 The Audit Board, chaired by the Service Director, Corporate Finance (S151), met on 17 January 2022 and reviewed progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan. Appendix 1 shows the current progress updated against the Internal Audit Plan.

4.7 The CIPFA external assessment of our conformance with the Public Sector Internal Audit Standards has been completed and the report will be presented to the Audit and Governance Committee in March.

5 Business Assurance

5.1 The Business Assurance Team continue to work within Client Transport Services providing assurance over the financial controls and contract management processes. Current work in progress includes:

- Provide assurance on the budget forecasting methodology.
- Undertaking tender verification to ensure accuracy and completeness of contracts ended and started on the transport system Routewise; including verifying accuracy of Limit Orders raised for the live contracts.
- Monitor compliance against the new control framework that provides an end-to-end link from tender, contract management, invoice payment and account reconciliations.
- Monitoring invoice processing and utilisation of the management information on progress against invoice payment process.
- Provide system migration assurance on the new ONE system as the service decommission Routewise.

5.2 We continue to provide assurance to CMT on the Covid-19 related grants. The team have completed 17 grant returns and six final reconciliations which have been submitted to central government departments within the set deadlines. We continue to monitor the utilisation of the grants to ensure that these are in line with conditions and are fully maximised to reduce the risk of monies

being returned to central government. New grants have been announced and the team are working with key departments to ensure that processes are in place and roles and responsibilities are clearly defined.

5.3 During quarter three, the team provided assurance on the Revenues and Benefits System Northgate. The objective for this review was to provide assurance on whether data migration from legacy systems (AVDC and WDC) into Northgate and Info@Work is completed accurately and on time. This included reviewing data from all affected legacy systems following each migration and their reconciliation against data in the systems being implemented. The review was intended to provide confidence that all data was successfully migrated on time and with no integrity issues to mitigate the risk of data in the new systems being missing or incorrect ahead of Go-Live. Assurance outputs were summarised on completion of each task to ensure that any weaknesses or gaps are addresses in a timely manner. Continuous assurance was provided, such that issues identifies are timely reported and rectified.

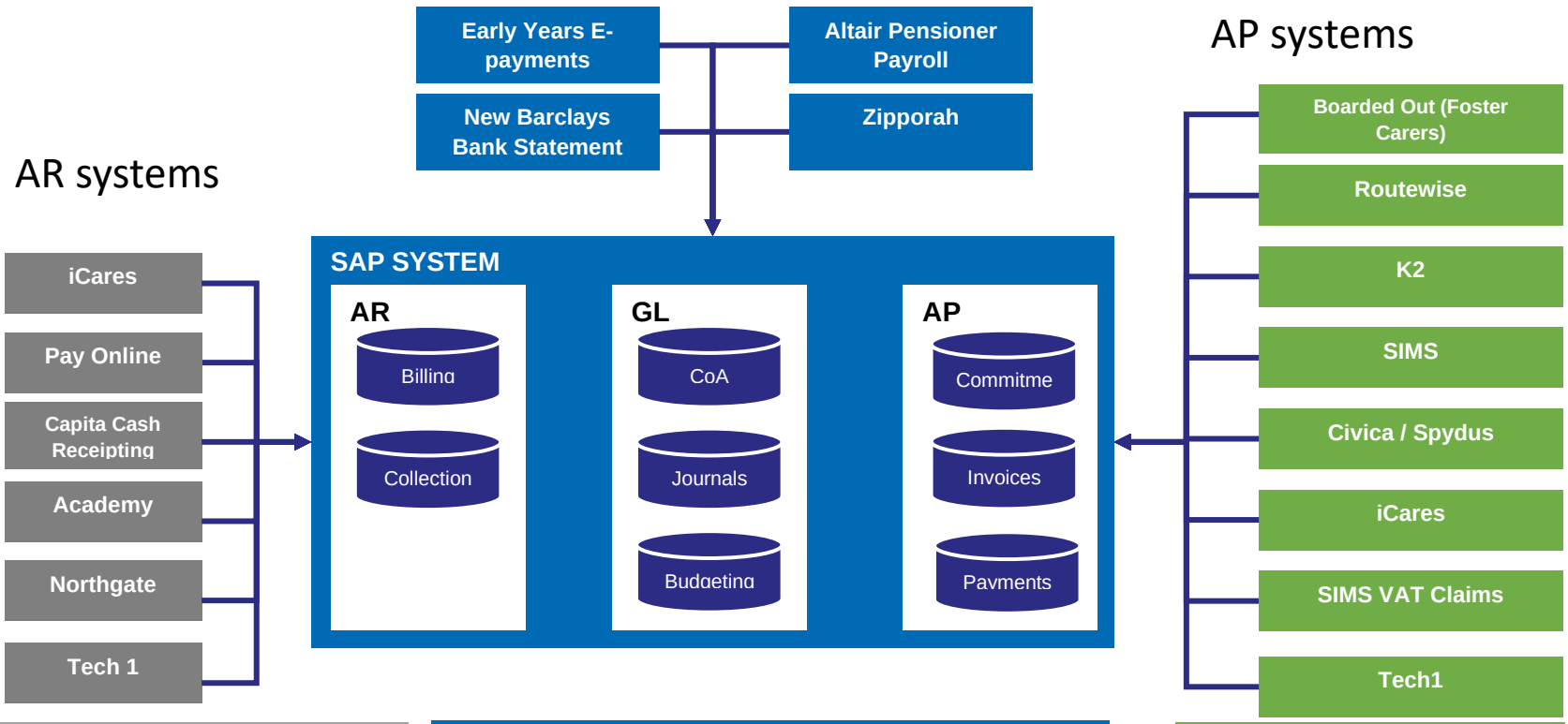
5.4 The system has now been implemented and is in operation for Aylesbury and Wycombe, the next phase will begin in January as Chiltern and South Bucks are migrated onto the new system. A lessons learnt report was presented to management on completion of the implementation for AVDC and WDC, these learnings are for management to take on board as they start making plans to migrate Chiltern and South Bucks onto the new system. A few examples of recommendations are as follows:

- **Timing of reports** – where discrepancies were noted between the systems/reports, these were usually due to the timings of data included within.
- **Coding inconsistencies** – certain entries had different codes between the systems, indicating potential issues with mapping – accurate mapping is key prior to migration.
- **Resource constraints** – reconciliations were carried out by a small team (two people), and their attention was at times requested by staff during critical periods, increasing the risk of delays.
- **UAT plan** – while the tests to undertake were relatively well documented, we have been unable to review a plan with a rationale for why specific tests were chosen or left out.

- **Issue reporting** – multiple issues logs were using throughout the UAT process, making it at times difficult to identify the relevant document to review. This also resulted in a lack of evidence as to whether all issues were reported to Northgate.
- **Issue resolution** – issues were often marked as resolved without evidence of retesting, making it difficult to confirm that they were indeed resolved.

5.5 We continue to progress with the review of the key financial systems that interface with our SAP finance system. To date, seven system reviews has been completed and control gaps identified have been reported to the Finance Systems Improvement Group for review and action. Below is an overview chart outlining the systems that will be reviewed though walkthroughs and process mapping to ensure complete understanding of how the SAP system is being utilised. This work will feed into the continuous improvement work that is in-progress within Finance and will be crucial input for the possible procurement of the new Enterprise Resource Planning (ERP) system.

Finance Systems Overview



AR System risk - Payment allocation to relevant cost centres is not automated for all transactions, so the AR team will have to review receipts and allocate to the correct code. Support will be required from the services to help allocate the receipt against the relevant code.

SAP System risk– all systems are managed by their own relevant services who are therefore responsible for ensuring accuracy and completeness of the interface to SAP. Reconciliations are required to provide assurance that postings are successful and enable timely identification of discrepancies.

AP system risk - For payments there is an automapping of payments to invoices when there is a PO in place. Invoices without a PO will require intervention from the AP team to ensure correct workflow and coding.

6 Counter Fraud

6.1 The Business Assurance Team has been working closely with the Revenues and Benefits Teams to investigate any potentially fraudulent Covid-19 Business Rate Grant Claims.

Business Rate Grant applications referred to Business Assurance	49
Additional Restrictive/Restart Grant applications referred to Business assurance	56
Number failed risk assessment (deemed to be low risk and so not investigated, or closed after initial investigation)	33
Number investigated (BRG and ARG) to date	49
Number of potential prosecution claims	10
Number of prosecution files being prepared for legal services as of 1 December 2021.	5 One case is currently awaiting a trial (which will not be until 2022), one case was scheduled for sentencing on 5 November 2021 but deferred with three other cases having prosecution files currently being prepared.

Other cases currently under investigation are as follows:

- Council Tax Reduction cases received 17 and investigating 12. One case issued with a financial penalty, one case awaiting a financial penalty to be issued.
- Single Person Discount cases received eight and investigating seven.
- Discretionary grants received three and investigating three with one outcome already mentioned (case closed but no grant money paid and so the Council have been pro-active in this approach, opposed to reactive). A subject was interviewed under caution for the second case and agreed to a formal caution and a repayment of £4000 which they had falsely claimed. The full money has now been repaid.
- Disabled Facilities Grant received one but not investigated due to admission of guilt.
- Housing Fraud cases received and investigating seven - one of which is a house of multiple occupancy (HMO), with two potential prosecutions.
- Planning application fraud cases received one, investigated one.
- Direct Payment case received one and investigating one. Client failed to attend the scheduled interview under cautions and so the case has been referred to Legal Services with a full prosecution file in preparation.
- Insurance case received two, investigated one but closed after initial investigation revealed that the claim submitted was legitimate. The second case is being investigated.
- School admissions cases received one, investigated one.
- Phishing scams or attempts: 13.

Appendix 1 – 2021/22 Internal Audit Plan

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Corporate	**Corporate**	Governance	Deferred to 22/23 – new officer started in December recommend that audit be undertaken in Q1/Q2	
	Corporate	Business Cases	Deferred to 22/23 – resource pressures within the Internal Audit team recommend that audit be undertaken in Q1/Q2	
	Corporate	Grants	Internal Audit grant assurance returns in line with the funding conditions.	On-going
	Corporate	Covid-19 Pre and Post Payment Assurance Plan	Looking at the assurance that we have taken reasonable steps to ensure that payments are made to legitimate businesses.	On-going
	Corporate	Covid-19 Response	Continue to provide assurance on the Covid-19 grants that are received from government departments to support the Council's response to Covid-19.	On-going
Deputy Chief Executive	**Policy and Comms**	GDPR – Council wide audit	Draft scope includes the following risk areas: Compliance, Roles and Responsibilities, Records of Processing Activities, Third Party Management, Retention and Destruction, Management Information and Data Breaches. This is a Council wide audit and the fieldwork will commence in Q4.	Fieldwork starting in February
	Localities & Strategic Partnerships	Community Boards	Q4	Scope being developed
	Legal/ Dem Services	Legal Process Review	Deferred to 22/23 – processes are currently being developed. Audit best places to review once these are embedded. Recommend an audit in Q1/Q2	
	Legal/ Dem Services	Member Declarations and Member Complaints Process	Complete - One medium priority finding raised.	Final Report - Substantial

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Deputy Chief Executive	**Service Improvement**	Assurance over Service Improvement Programme	On-going Assurance in line with the Service Reviews	On-going
	Service Improvement	Digital	Deferred to 22/23 per request from SLT – early stages of the programme	
	Service Improvement	Workstyle Strategy	Deferred to 22/23 per request from SLT – business case recently approved and strategy in early stages.	
	Localities & Strategic Partnerships	Assets of Community Value	Ensuring there is a robust process behind the decisions and the Localism Act is adhered to. High cost (potential legal challenges if process not adhered to) and reputational risk to the council.	Scope being developed
	Legal/ Dem Services	Elections	Deferred to 22/23 - resource pressures within the Internal Audit team, no key concerns in this area so not critical for this year.	
	Policy & Communication	Complaints	New audit requested by SLT –Q4	Scope being developed
Resources	**Finance**	Pensions	Report with the service for response on management actions and implementation dates.	Draft Report
	Finance	Capital Programme	Deferred to 22/23 - resource pressures within the Service due to sickness.	
	Finance	Contract Management	Deferred to 22/23 – this is a Council wide audit and there are resource pressures within the services to support the audit.	
	Finance	Asset Management	Cancelled per request from SLT – substantial work undertaken by external audit.	
	Finance	Budget Management	Report with the service for response on management actions and implementation dates.	Draft Report

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Resources	**Finance/ HR/ IT**	Service Now Review	Deferred to 22/23 per request from SLT - the use of Service Now will be looked at as part of the service review – this is a low-risk area.	
	Finance	Cash Receipting End-to - End Process Review	Fieldwork in progress	Fieldwork
	Finance/ HR	Expenses	Fieldwork in progress	Fieldwork
	Finance	Accounts Payable	Scope agreed.	Fieldwork starting in February
	Finance	General Ledger	Key Financial System	Scope being developed
	Finance	Accounts Receivable and Income Management	Scope agreed.	Fieldwork starting in February
	Finance	Treasury Management	Report with the service for response on management actions and implementation dates.	Draft Report
	Finance	Debt Management	Key Financial System: High volume and value activity	Q4
	Finance	Revs & Bens System Assurance Review	Fieldwork in progress	Fieldwork
	Finance	CTAX	Deferred to 22/23. New Revenues and Benefits system being implemented. Full audit to be undertaken once all legacies are migrated onto the new platform. Internal Audit are providing assurance on the system implementation.	
	Finance	NNDR		
	Finance	CTRS/HB		
	Finance	Procurement	Evaluate compliance with procedure rules	Scope being developed

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
	Finance	iCares Accounts Payable	Report with the service for response on management actions and implementation dates.	Draft Report
	Finance	iCares Accounts Receivable	New system and process end-to-end assurance required to understand controls – scope being developed.	Scope being developed
	HR	Apprenticeship Levy	Deferred to 22/23 per request from SLT – low risk. Report to CMT on options to be considered for the levy.	
	HR	IR35	Deferred to 22/23 - regular reporting on high-cost interims presented to CMT – other assurance arrangements are in place.	
	HR	Payroll	Key Financial System	Scope being developed
	IT	IT Asset Management	Report with the service for response on management actions and implementation dates.	Draft Report
	IT	Audit needs assessment. Review to determine IT audit work to be undertaken.		Final Report
Planning, Growth & Sustainability	**Property & Assets**	Wycombe Old Library	Cancelled per request from SLT – project complete and value needed in service project governance assurance	
	Property & Assets	Project Governance	Directorate wide governance review – will include HIF Grant.	Scope being developed
	Housing & Regulatory Service	Enforcement (Housing)	Deferred to 22/23 per request from SLT, recruitment in progress as there are unfilled posts in the service – propose Q1	
	Housing & Regulatory Service	Grant verification	Disability Facilities Grant	Complete
	Planning & Environment	Building Control	End-to-end review – Q4	Scope being developed

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Planning, Growth & Sustainability	**Planning & Environment**	CIL/Section 106	Fieldwork in – progress, paused till end of January due to sickness within the service	Fieldwork
	LEP	LEP Audit	Review focussed on BBF and LEP arrangements.	Scope being developed
	LEP	Grant Verification	Growth Hub Funding to LEPs – claim verification for FY20/21 funding.	Completed
	Housing & Regulatory Service	Homelessness	Deferred to 22/23 per request from SLT, recruitment in progress as there are unfilled posts in the service – propose Q1	
	Housing & Regulatory Service	Temporary Accommodation	Deferred to 22/23 per request from SLT, recruitment in progress as there are unfilled posts in the service – propose Q1	
	Property & Assets	Property Maintenance	End-to-end review of the property maintenance programme.	Scope being developed
	Planning & Environment	Climate Change	Separate assurance programme being developed that will be aligned to the Climate Change Strategy. Commence assurance delivery in 22/23.	
	Property & Assets	Property Repairs and Renewals	Deferred to 22/23 - resource pressures within the Internal Audit team – focus on the property maintenance review which is higher value.	
	Property & Assets	Health & Safety	Cancelled per request from SLT – assurance process in place to ensure adequate arrangements are in place and mechanism for reporting agreed.	
	LEP	Grant Verification	EU Transition Business Readiness Growth Hub Funding to LEPs FY20/21	Completed

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Planning, Growth & Sustainability	**LEP**	Grant Verification	Supplemental Growth Hub Funding to LEPs FY20/21	Completed
	LEP	Grant Verification	Peer Network Funding to LEPs FY 20/21	Completed
	Strategic Transport & Infrastructure	HIF Grant	Grant being reviewed as part of the directorate Project Governance Audit.	Scope being agreed
Communities	**Highways & Technical Services**	Flood Management	Report with the service for response on management actions and implementation dates.	Draft Report
	Neighbourhood Services	Taxi Licensing	Scope being developed.	Scope being developed
	Neighbourhood Services	Crematorium	Scope agreed.	Fieldwork starting in February
	Neighbourhood Services	Waste - Procurement and Disposal of Assets	**New audit requested from service – scope being developed**	Q3/4
	Highways & Technical Services	Parking	Deferred to 22/23 per request from SLT – new system and structure, need to embed processes. Recommend Q1/2	
	Highways & Technical Services	Transport for Bucks	Scope to be agreed in consultation with the service	Q4
	Transport Services	Home to School Transport	Deferred to 22/23 per request from SLT – new system will need to be embedded. Recommend Q1/2	
	Transport Services	Grant Verification	Bus Subsidy Ring-Fenced (Revenue) Grant	Complete
	Neighbourhood Services	Household Recycling Centres	Deferred to 22/23 – new procurement in progress. Recommend review once new arrangements are in place	
	Neighbourhood Services	Energy for Waste	Report with the service for response on management actions and implementation dates.	Draft Report

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Communities	**Highways & Technical Services**	Grant verification	Highways Maintenance Challenge Fund Grant	Complete
Adults & Health	**Quality Standards & Performance**	iCares System - IT Application Controls Audit	Scope agreed	Fieldwork starting in February
	Integrated Commissioning	Direct Payments	End-to-end process review – Q4	Scope being developed
	Integrated Commissioning	Supplier Viability	Evaluate the process in place to enable timely identification of suppliers under pressure and mechanisms in place to manage resilience.	Fieldwork
	Adult Social Care	Implementation of Medications Policy - In-house services	Scope being developed.	Scope being developed
	Adult Social Care	Interface - Hospital Discharges and Social Care	Deferred from 21/22 per request from SLT - process is weak and social care are currently working to develop and improve process. Plan for Q1/2	
	Quality Standards & Performance	Quality Assurance Framework (QAF)	Cancelled per request from SLT – framework is fully operation and an annual external audit arrangement is in place. No concerns in this area.	
	Integrated Commissioning	Choice and Charging Policy	Report with the service for response on management actions and implementation dates.	Draft Report
	All	Follow-Up Audits	Follow-up all the findings raised in the following audits: Implementation of Medications Policy – Commissioned services, Seeley's Respite, Deprivation of Liberty Standards.	Fieldwork
Children's Services	**Social Care**	Fostering Services	Audit work paused within the Directorate due to Ofsted inspection.	Scope being developed

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Children's Services	**Education**	Schools - Thematic Review	School audits in progress. Draft reports issued for two and fieldwork completed for two schools.	On-going
	Social Care	Social Work England Information Requests	Deferred to 22/23 per request from SLT – service currently developing a process. Assurance needed when process is embedded	
	Social Care	Care Leavers	Audit work paused within the Directorate due to Ofsted inspection.	Scope being developed
	Education	SEND – Complaints & SARs	Audit work paused within the Directorate due to Ofsted inspection.	Scope being developed
	Education	Early Years - Entitlement for 2/3/4 yrs. and Claims Payment	Audit work paused within the Directorate due to Ofsted inspection.	Scope being developed
	Social Care	Commissioning of Residential placements	Audit work paused within the Directorate due to Ofsted inspection.	Fieldwork
	Social Care	Children's Homes	Each home to be audited and reported on separately.	Scope being developed
	Education	SEND Transport Eligibility	**New audit requested by service – scope being developed**	Scope being developed
	Social Care	Supported Families Programme Grant Verification	Completed in June for 65 families under Sustained and Significant Progress	Claim 1 - Complete
			Claim made for 77 families under Sustained and Significant Progress	Claim 2 - Complete
			Claim made for 71 families under Sustained and Significant Progress	Claim 3 - Complete
All Directorates	Follow-Ups			On-going

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
BMKFA	Audit plan approved and date for audit delivery agreed with the clients. Plan to be delivered by February 2022 ahead of their external audit.			In-progress
Academies	Audit plans approved and key days for audit delivery agreed with the Academies			In-progress

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Report to Audit & Governance Committee

Date:	**25th January 2022**
Title:	**Contract Procedure Rules – Waivers & Breaches**
Relevant councillor(s):	N/A
Author:	**Cael Sendell-Price JP, Head of Strategic Procurement**
Ward(s) affected:	N/A
Recommendations:	**Members are asked to note this report and the work of the Strategic Procurement Team**

Summary

This report provides an updated summary in relation to compliance with the Council's Contract Procedure Rules (CPR's) and compliance with the Public Contracts Regulations 2015.

The Committee have received previous reports on this subject, the last presented on 28th July 2021 which covered the last 6months of the financial year 20/21. This report is a six-month update and covers the first 6 months of financial year 21/22.

The reporting period covers the following period:

- **April 2021 until 30th September 2021**

1. Background

The Council, as a public body when undertaking procurement exercises and awarding contracts, must comply with the Public Contracts Regulations 2015. The Regulations place a great deal of restrictions on the Council in how it is permitted to run procurement exercises and in some cases the Council could be sued by bidders for not following these Regulations.

It should be noted, that it is the relevant service area/ directorate that are responsible for undertaking procurement exercises and the management of contracts, not the procurement team. The procurement team develop the corporate policy, support high risk/value procurement exercises and provide training on procurement & contract management.

2. Contract Procedure Rules relating to Contracts, Waivers and Breaches

Rules 6.31 to 6.37 state that all purchases over £25K must be subject to competition. Where the estimated whole life cost of a contract is:

Up to and including £25,000 for Goods, Services and Works:	A minimum of **1 written quotation** 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.
Over £25,000 and up to the Procurement Threshold for Goods & Services (including the Light Touch Regime):	A minimum of **3 written quotations** requested. Where possible local suppliers should be given the opportunity to bid.
Over £25,000 and up to the Procurement Threshold for Works:	A minimum of **4 written tenders** requested. Where possible local suppliers should be given the opportunity to bid.
Relevant Procurement Threshold and over:	Full Tender Process or compliant Framework Agreement.

Table 1: Internal Thresholds

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 Procurement Thresholds.

- The goods and services threshold is **£189,330**.

- The Light Touch Regime (LTR) threshold is **£663,540.**

This is a Procurement regime for social and other specific services including:-

- Health, social and related contracts
- Administrative social, educational, healthcare & cultural services
- Hotel and restaurant services
- Legal services
- Other administrative services and government services
- Provision of services to the community

- The works threshold is **£4,733,252.**

If a direct award is made which is above this threshold (if a legal alternative such as a Framework is not used) a breach has occurred, and officers are obliged to report this to the S151 Officer and Monitoring Officer (statutory officers). In some instances, there may be legal permitted changes within the Public Contracts Regulations 2015.

3. Waivers

Service areas can complete waiver forms to waive internal rules, but not contracts that are subject to the Procurement Regulations such as contracts over the legal procurement threshold. Service areas must demonstrate in advance why a waiver is needed and must include evidence to prove this is best value. The Procurement team carries out commercial assessments on all waivers using a risk-based approach. Legal and financial input is requested when appropriate.

Waivers are signed off by sign off by:

1. S151 Officer (delegated to the Head of Strategic Procurement);
2. Relevant Corporate Director;
3. Relevant Cabinet Member.

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

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

Waiver summary Q1-2 FY 21/22

There were a total number of 38 Waivers registered in this 6-month period.

➢ **Quarter 1**

- There were 19 completed Waivers.
- The total value of Waivers approved during this period was £7,122,371.82.
- The highest value Waiver was for £4,257,160.00. This was for the CAMHS contract - Provision of Targeted Tier 2, and Specialist Tier 3, a modification permissible under Regulation 72.
- The lowest value Waiver was for £17,160.

➢ **Quarter 2**

- There were 13 completed Waivers.
- The total value of Waivers approved during this period was £1,429,726.
- The highest value Waiver was for £600,000. This was for the Managed Discharge to Assess Domiciliary Care Services - which falls under Light Touch Regime threshold £663,800

- The lowest value Waiver was for £7,917.

It should be noted, that waivers are not negative. They are a tool for the Council to get a quick solution at best value and are subject to a high level of assurance.

4. Breaches to Public Contracts Regulations 2015

One breach has been reported to the Statutory Officers in the period since the last report. Please see Confidential Appendix 1 for the full report which has been drafted by the relevant service area. This report shall be presented by an officer from the service area.

5. Publication of Opportunities and Award Notices

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

In addition, the 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.

The Cabinet Office monitors potential breaches raised by suppliers via a Procurement Review Service (previously the Mystery Shopping Service). Procurement Review Service will contract 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 Crown Commercial Service for this period.

6. Procurement & Contract Management Training

One of the newest issues of bringing together 5 Councils will be the procurement & contract management culture of relevant services areas/directorates. In order to develop a new positive culture and ensure a high level of assurance the Procurement team provides training on several areas listed below. This level of training is above what most Councils provide.

Summary Procurement/SRM training sessions 1st April 2020 – 30th September 2021

Training Sessions	Number of Officers trained
Understanding Procurement training	227
ProContract e-Sourcing Tender portal training	113

Contract Management Development training	77
Contract Management Application (CMA) training	153
Modern Slavery in the Supply Chain training	123
Best Practice Self-Assessment training	56

Table 2: Procurement Training Sessions

7. Procurement Legislation Changes

A recent Green Paper on the future transformation of public sector procurement was recently released by Central Government. The Cabinet Office has recently confirmed that there will not be a change in Procurement Legislation until 2023. When we have further detailed information on the changes full training will be provided by the Procurement Team to the rest of the Council.

8. External Procurement threshold changes from 1st January

New public sector procurement thresholds will come into force on 1st January 2022.

From the 1st of January 2022 the procurement thresholds will be changed to the values in table 3. These thresholds new thresholds due to membership of the World Trade Organisation must now include VAT.

The revised financial thresholds will apply to all public procurements under the Public Contracts Regulations 2015 (PCR 2015) and the Concession Contract Regulations 2016 (CCR 2016).

Type of Contract	Previous Threshold (excluding VAT)	Threshold (including VAT) from 1st January 2022	Threshold (if VAT does not apply) from 1st January 2022
Goods & Services	£189,330	£213,477	£177,898
Works	£4,733,252	£5,336,937	£4,447,448
Light Touch Regime for Health and Social services	£663,540	£663,540	£552,950

Table 3: New External Procurement Thresholds

9. Data Tables

Summary of all Waivers registered during Q1 – Q2 2021/22

Summary FY 2021/22	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total number of Waivers registered	19	13			**32**
Lowest value Waiver	£17,160	£7,917			**£25,077**
Highest value Waiver	*£4,257,160	**£600,000			**0**
Total number of Waivers raised retrospectively	9	4			**13**
Total value of retrospective	£1,313,162	£299,053			**£1,612,215**
Total value of all waivers processed	**£7,122,372**	**£1,429,726**			**£8,552,098**

Table 4: Summary of all Waivers registered during Q1 – Q2 2021/22

**Provision of Targeted Tier 2, and Specialist Tier 3, CAMHS Buckinghamshire (Public Health Services - Primary Care) - permissible under Reg 72 of PCR's*
***Integrated Commissioning - Managed Discharge to Assess Domiciliary Care Services - permissible under Reg 72 of PCR's*

Summary of all Waivers registered during Q1 – Q2 2021/22

Summary FY 2021/22	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total no. of Waivers registered	19	13			**32**
Total no. of Waivers categorised as Low risk	18	12			**30**
Total no. of Waivers categorised as Medium risk	*1	**1			**2**
Total no. of Waivers categorised as High risk					

Table 5: Summary of all Waivers registered during Q1 – Q2 2021/22

**Targeted Tier 2, and Specialist Tier 3, Child and Adolescent Mental Health Services - permissible under Reg 72 of PCR's - High value medium risk*
*** Routewise - Low value, implementation scheduled 18 months later than expected*

Summary of all Waivers registered Q1 – Q2 FY 2021/22

Waivers to CPR's by Service Area Summary FY 2021/22	No. Low / Medium Risk	No. High Risk
A&H - Integrated Commissioning	4	
COMM - Leisure	1	
COMM - Libraries	1	
COMM - Licensing	1	
COMM - Sports, Leisure & Culture	1	
CS - Childrens Social Care	1	
CS - Education	1	
CS - Equalities & School Improvement	2	
CS - Integrated Commissioning	1	
DCE - Legal & Democratic Services	1	
PGS - Aylesbury Garden Town	2	
PGS - Business Improvement & Parking Services	1	
PGS - Economic Growth & Regeneration	2	
PGS - Estates	1	
PGS - Planning & Enforcement	1	
PGS – Planning & Environment	1	
PGS - Property & Assets	3	
PGS - Strategic Transport & Infrastructure	1	
PGS - Transport Strategy	1	
RES - HR & OD	2	
RES - HR Payroll	1	
RES - Ratings & Recovery	1	
RES - Revenues & Benefits	1	
Totals	**32**	

Table 6 - Waivers by Service Area

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Report to Audit & Governance Committee

Date:	25th January 2022
Title:	**Lessons Learnt from Other Local Authorities**
Cabinet Member(s):	N/A
Contact officer:	Mark Preston, Head of Projects & Pensions
Ward(s) affected:	N/A
Recommendations:	**Audit & Governance Committee are invited to NOTE the report.**
Reason for decision:	N/A

1. Executive summary

1.1 Since the best value inspection report for Northamptonshire County Council was published in March 2018 with a conclusion that it had "failed to comply with its duty to provide best value in the delivery of its services", a number of other high-profile incidences have subsequently brought into sharp focus the financial management and governance arrangements of local authorities. There have been the public interest reports at Nottingham City Council (August 20), Croydon London Borough Council (October 2020) and Northampton Borough Council (January 2021), the best value inspection report into Liverpool City Council (March 2021) and the section 114 notice issued by Slough Borough Council, which followed closely behind the critical 2018/19 audit by Grant Thornton.

1.2 There are several factors that have had an impact on local authorities in recent years. After years of reduced government funding, local authority business models have become increasingly reliant on generating additional income to support frontline services. This has led to a number of local authorities increasing commercialisation and develop different vehicles to facilitate this, including partnership ventures, joint ventures, limited companies and Teckal companies. The

recent Public Interest reports have shown that the failure of council owned companies can have a devastating effect.

1.3 Grant Thornton have summarised the key issues arising out of the recent Public Interest and Best Value reports (see Appendix 1) into 5 main areas:

- Financial Management
- External Companies
- Organisational Culture
- Risk Management, Assurance and Audit
- Relationships and Decision Making

1.4 Furthermore, from a political and governance perspective, the key issues identified related to:

- Member conduct and behaviour
- Legal capacity
- Confusion of roles and delegations
- Poor scrutiny arrangements

1.5 In addition, the Department for Levelling Up, Housing and Communities (DLUHC) has also produced its own lessons learned document: *'Addressing cultural and governance failings in local authorities: lessons from recent interventions'* which seeks to provide guidance on recognising poor culture and weak governance.

1.6 DLUHC do not consider the following list definitive, but they have been identified in the various inspections undertaken.

- lack of effective political and/or corporate leadership, including an overreliance on interim statutory officers
- a lack of corporate capacity, resulting in a lack of strategic vision and direction, and inadequate internal processes
- poor and inappropriate councillor conduct
- conflict and distrust among and between councillors and senior officers
- the absence of effective scrutiny, transparency, and public consultation, including inadequate protections for whistle-blowers
- a lack of awareness and acceptance of the need for improvement; and insufficient capacity to achieve the change required

1.7 The Commissioners appointed at Northamptonshire County Council in 2018 following the Best Value Inspection, published their 'Lessons Learned Report' and

made recommendations to the local authority sector, which are set out in Appendix 2.

1.8 Regarding external companies, CIPFA identify that there are some common issues among councils holding companies and these are generally linked to organisational governance, leadership, capacity, financial stability and culture, including:

- a lack of understanding of roles and responsibilities
- a lack of skills around commercial decision making
- an optimism bias that does not reflect the true position
- a lack of strategic rationale surrounding the creation of companies
- a reluctance to listen to challenges.

Building on the 2019 financial management code, CIPFA plans to extend its financial sustainability work by developing additional guidance on council-owned companies.

2. Buckinghamshire's Position

Political and Governance Issues

2.1 As the DLUHC report states, there are no clear or unequivocal quantitative measures to assess whether a council has a poor culture, and weak governance can be less tangible and visible from the outside. The report notes that peer challenge/reviews can provide insight into some of these issues.

2.2 A recent presentation to the LLG Governance Conference by Max Caller on his experience of Best Value Inspections, highlighted key indicators that likely problems exist, namely:

- Interim statutory Officers in place.
- Member complaints that they cannot get access to information and must use Freedom of Information Requests instead.
- Culture of secrecy and overuse of confidential reports reducing openness.
- Poor Local Authority Company governance.

2.3 In addition, there was significant emphasis on cultivating an open and transparent culture. This included:

- Reviewing and ensuring delegations were appropriate and were being properly used.
- Ensuring that staff had the ability to raise concerns/whistleblow with senior management and senior management encouraged this.

2.4 In many problem cases, there was not a single record relating to the relevant transactions, so it was difficult to coordinate decision making or verify that appropriate delegations had been discharged.

2.5 Notwithstanding the recent formation of Buckinghamshire Council, on most of the above measures Buckinghamshire could boast of having very strong political and corporate leadership, with a clear strategic vision and direction. There are detailed internal processes for decision making and a good understanding by officers of those processes, good report writing and professional advice. Whilst there are some incidents of inappropriate Councillor conduct, there are robust mechanisms in place to address these and, generally, conduct is of a very high standard with a comprehensive complaints procedure and training on the Code of Conduct in place for all Councillors. Regular advice and assistance to Members is provided by the Monitoring Officer.

2.6 With robust political leadership there can be tensions between officers and members, and the acceptance by members of officer advice and recommendations. But members are well-aware of the role of officers and there are detailed constitutional provisions regarding their respective roles. In the main, relationships of trust are maintained.

2.7 Since the election in May 2021, Scrutiny/Select Committees have been formed with independently minded Chairman and detailed work plans. Regular meetings of Scrutiny Chairman and Cabinet members are organised and constructive challenge and detailed reviews of council business is welcomed. Similarly Audit and Standards Committees play an important role in overseeing risk and governance issues, together with a regular review of the constitution.

2.8 The Constitution sets out a detailed set of delegations both to the various Committees but also officers, and individual Directorate have schemes of delegation in place.

Financial Issues

Reserves

2.9 A lack of a prudent level of reserves is one of the key themes that emerges from these reports, which significantly reduces a council's ability to respond to financial pressures that may emerge.

2.10 It is generally accepted by external auditors that councils should hold at least 5% of net operating expenditure in General Fund reserves (including earmarked reserves).

2.11 Buckinghamshire has a healthy reserves position. In setting the budget at Council, in February 2021, it was reported that the Council had c£47m in unallocated General Fund reserves (excluding earmarked reserves) which is approximately 10% of the Council's net operating budget.

2.12 The Council is therefore in a strong position to deal with any financial risks that may emerge, especially given there are earmarked reserves set aside for specific known risks. There has been a commitment to the quarterly monitoring of reserves as part of the 'Financial Sustainability Action Plan'.

Misuse of Capitalisation

2.13 Whether through the general misuse of capitalisation of revenue or the use of capitalisation that fails to deliver the intended benefits of reduced demand/costs or efficiency savings, capitalisation is a tool that should only be used where there are clear benefits of the investment rather than purely a means to reduce revenue pressures. There were also audit queries relating to LB of Croydon's 2019-20 accounts in respect of capitalised transformation expenditure, with auditors trying to establish appropriate evidence to support the transformation activity.

2.14 Capital resources are just as constrained as revenue resources and therefore it is important to make sure that business cases for capital investment are robust and can clearly demonstrate the benefits that are gained from the investment made, comparing these to the ongoing revenue borrowing costs.

2.15 The £100m prudential borrowing facility approach allows Cabinet to carefully scrutinise business cases before they are approved to ensure that there is clarity and confidence in the benefits that can be delivered.

2.16 There is a thorough review of charges to the capital programme each year to ensure that all costs are genuinely capital. The external auditor tends to take a keen interest in testing to ensure the capitalisation regulations had been appropriately applied, and hence why these checks are in place.

Minimum Revenue Provision Calculation

2.17 The miscalculation of the MRP was a factor in the Slough Borough Council s151 Officer issuing a s114 notice. The MRP ensures that a council is setting aside a prudent level of revenue resources to pay off any borrowing. The issue for Slough was that this error had been exacerbated by the fact the Councils borrowing had quadrupled from £180m to £760m during the period the error was made. This would have significant revenue implications for any Council having to rectify this situation.

2.18 The MRP approach for Buckinghamshire has been recently reviewed as there was a need to agree a single MRP policy for the new council following a review of the previous legacy council policies.

2.19 We are confident therefore, that the Council has adopted and is applying its MRP policy correctly.

Continued Financial Support/Loans to Failing Ventures/Companies

2.20 Nottingham City Council continued to provide financial support and loans to its struggling energy company, in a move described as auditors as being "institutionally blind" to the risks involved due to the determination of councillors that it should succeed. This resulted in a £34.4m loss for the Council.

2.21 In LB of Croydon, their Property Company 'Brick by Brick' was entirely dependent on funding from the Council and had borrowing of c£200m, against a backdrop of limited financial reporting and underperformance against its business plan. There was also increased borrowing for the purchase of investment properties.

2.22 The Council does not have any failing companies, but that does not mean the Council shouldn't be vigilant in this area. The key is making sure that there is organisational oversight of the financial plans and performance of our companies, partnerships and joint ventures. The original 'Financial Sustainability Action Plan' already covers this with the setting up of a Companies & Partnerships Oversight Board. The action plan also commits to a review of the financial position for the Farnham Park and Higginson Park Trusts.

2.23 Buckinghamshire's Capital and Investment Strategy has moved away from any investment purely for yield and instead is focusing on Regeneration, Economic Development and Housing in particular. It carries out an annual review on the investment properties it does hold to ensure that the investments continue to be appropriate for the medium to long term, understand the alternative options available to it and consider any strategic changes.

2.24 The Council will continue to carry out due diligence on any loan requests from any external company, organisation and related parties to ensure that the underlying business case is sound as it would do if it were itself making an investment decision.

2.25 It would be of significant benefit to make sure that all directorship/representative roles have comprehensive training to ensure they fully understand their role and responsibility as a Council director/representative.

Inadequate Financial Challenge or Urgency in Dealing with Overspends or Non-Delivery of Savings

2.26 For a number of the authorities concerned, not taking appropriate and timely action when either budget overspends or the likely undeliverability of budget savings was a concern. The lack of appropriate action when issues arose contributing to the general financial pressures for the organisations concerned.

2.27 Buckinghamshire has an extensive process of review and challenge when it comes to the MTFP budget setting process. This allows budget plans to be reviewed and when savings are deemed no longer deliverable or new pressures emerge, there is a requirement for Directorates to find alternative savings or if the pressure is

significant, it is incorporated into the overall budget setting process to ensure a balanced budget can be delivered.

2.28 The CMT Budget Board, also allows a specific focus on financial performance and issues, enabling agreed courses of action to be taken to address any financial issues.

2.29 Additionally, as part of the original 'Financial Sustainability Action Plan', monthly Budget Boards were established for all directorates to enable a directorate focus on financial performance and issues that can feed more readily into CMT Budget Board.

Failure to Follow Contract Standing Orders, Overuse of Waivers and Exemptions

2.30 In Liverpool especially, there was a weakness in terms of following Contract Standing Orders, with an increased reliance on contract waivers and exemptions. There were also weaknesses in terms of ensuring best value in terms of the disposal of property on top of general weaknesses.

2.31 There is a strong Strategic Procurement team in Buckinghamshire, and although there is always room for improvement in terms of absolute compliance, there is a strong framework in place to support the Council.

2.32 Contract waivers and breaches are regularly reported to Audit and Governance Committee and any serious control weakness in this area would become immediately apparent and can be addressed if necessary.

2.33 For the disposal of property, it is standard procedure to ensure that a s123 valuation is undertaken before it is sold to confirm that the disposal arrangements are value for money for the Council.

3. Next steps and review

3.1 The main financial considerations for Buckinghamshire were picked up as part of the original 'Financial Sustainability Action Plan'. This original action plan has been enhanced with lessons learnt since that was first established, particularly around governance issues, and is included at Appendix 3. The focus will be on continuing to implement the action plan and monitoring any new issues that might emerge within the sector from other Councils.

4. Background papers

4.1 Cabinet Paper 02 March 2021: 'Financial Sustainability – Comparison with LB Croydon'

5. Your questions and views (for key decisions)

5.1 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 [ ] or email [ ]

Grant Thornton

Lessons from recent Public Interest Reports

2021

Contents

Summary

2020 will be remembered as a tumultuous year in local government. The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

1 Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
2 Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.
3 Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
4 Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The Public Interest Reports (PIRs) at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) were the first issued since 2016. All three are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. There are some quotes that seem particularly apposite for all councils to consider.

Governance models

Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models.

However, in the recent PIR cases, and for many other councils, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge. There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which will be explored further in this report:

- The context of local government in a COVID-19 world
- Governance, scrutiny, and culture
- Council leadership

> "There has been collective corporate blindness to both the seriousness of the financial position and the urgency with which actions needed to be taken".
>
> **London Borough of Croydon**
> **Grant Thornton UK LLP October 2020**

> "Overall, the governance arrangements were overshadowed by the Council's determination that the Company should be a success, and this led to institutional blindness within the Council as a whole to the escalating risks involved, which were ultimately very significant risks to public money".
>
> **Nottingham City Council**
> **Grant Thornton UK LLP August 2020**

> "There was inadequate due diligence undertaken by the Director of Finance/Section 151 Officer, including an inadequate assessment of whether the work would generate assets capable of being refinanced by NTFC in order to repay the loans to the Council and of the financial viability of NTFC".
>
> **Northampton Borough Council**
> **KPMG LLP January 2021**

It is also very pertinent to reflect on what the Best Value Inspection of Northamptonshire in 2018 said in its summary.

> "In Local Government there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate".
>
> **Best Value Inspection by Max Caller CBE – March 2018**

Local government in a COVID-19 world

There is no doubt that reduced central government funding has meant immense challenges for the local government sector. But, generally, councils have continued to provide good services to residents and, according to IPSOS MORI polling since 2010, the overall trust levels in councils have remained remarkably high in this period.

The reality of reduction in government grant has meant that councils have had to make considerable savings as well as draw on new income sources. Getting this balance right is difficult but it is a dilemma that has faced all councils. The levels of grant received by councils from government has varied considerably, as has their ability to raise income through council tax increases and to grow their business rates base due to differing local macro-economic circumstances.

Funding models

There are a number of government reviews looking at council funding which would have led to a reset of the basis of funding, which have now been postponed due to COVID-19. There are long running and heated debates on the fairness of both the existing and the proposed systems. What is very clear is that, as the overall local government 'cake' gets smaller, the intensity of the debate over who gets what share tends to grow sharper.

The onset of the COVID-19 pandemic has only exacerbated the financial challenges faced by local authorities which have existed for some years including significant extra demand for services. In the financial year 2020/21 the government has largely funded additional costs incurred by the sector as a result of the pandemic and provided considerable support to make up for income losses.

The funding settlement announced for 2021/22 should ensure that most councils get through this financial year but, with the renewed surge of the pandemic, it' is difficult to assess the financial impact this will have on councils and any further income losses or additional costs they may incur. Our analysis, and that of the Local Government Association (LGA) and other reviews, suggests a funding gap remains in the local government sector from the financial year 2021/22 onwards.

Financial sustainability

To some extent, government support during the pandemic has frozen the financial sustainability of the majority of councils at the level it was pre- pandemic, and it's difficult to imagine a much better outcome in the circumstances, albeit from a challenging pre-COVID-19 base.

However, for a small number of councils, it has exposed their chronic financial instability. For other councils, even a net marginal downturn in their financial position has exposed insufficient reserves. There are many further risks posed from COVID-19 to all councils and their local economies, such as the future of the high street and increased demand pressures including for unemployment and care services linked to mental health.

Councils' financial sustainability is a topic that has been subject to very mixed messaging for a long period of time and government ministers have, in the past, complained about the high level of council reserves nationally. Some councillors themselves have also questioned locally why significant reserves are needed.

In our view, those councils who have, throughout the period of grant reduction, recognised and been committed to maintaining adequate reserves, have not only continued to provide strong services but have also put themselves in a position to ride out the current pandemic storm.

This, we believe, is the absolute and fundamental lesson from the PIRs issued in the last few months. Maintaining sound reserves is absolutely vital and a key indicator of sound financial governance. It should be at the heart of all medium-term financial plans. In our view, general fund reserves (including earmarked general fund reserves) should be a minimum of 5% of net spending and arguably should be somewhere between 5 and 10%. This level of reserves will provide councils with a vital cushion. The lower reserve levels are, and the more rushed, the more ill thought through and, in some cases, the more desperate some council schemes tend to get, leads to greater problems. Councils should ask themselves a simple question: can they balance their books without taking significant risks with taxpayers' money? If the answer is no, then a fundamental rethink of their business strategy is required, including a baseline assessment of the affordability of services in their current form.

Governance, scrutiny and culture

The vast majority of councils do have adequate scrutiny arrangements in place on paper. Most councils have audit committee arrangements, most have scrutiny committees, and they also have the vehicle of the full council meeting, albeit one that often feels like a local government version of Prime Minister's Questions (PMQs), a spectacle for partisans rather than a serious examination of the council's work. While we would argue that, in the majority of councils the correct governance arrangements are in place, in structural terms they are often found wanting.

Audit committees

Any committee with "audit" in its brief should provide an opportunity for councillors to examine the findings of internal and external audits and strongly challenge, and hold to account, officers and sometimes leading members for significant failings pointed out by the various audit functions.

Sometimes we find that audit committee structures are hindered by having too wide a brief. Some combine audit with a multitude of other functions including, finance, performance, HR, and IT, and this can mean that both internal and external audits are crowded out. Structurally, there needs to be more clarity on how both audit functions get a proper voice on the "audit committee".

There is also a clear case for more independent expertise as part of the audit committee as the complexity of accounting transactions as well as the wider accounting framework grows exponentially. Another important factor is to ensure that politics has no place in the audit committee. We believe this is largely achieved but, in some councils, the political nature of audit and scrutiny is not helpful.

Sir Tony Redmond in his report on local audit published in September 2020 has recommended that the external auditor reports to full council on audit findings at least once a year. Some councils have already maintained this tradition, which dates back to the Audit Commission era. One of the key lessons coming from the PIRs is the extent to which backbench councillors have represented that they felt disenfranchised and unaware of audit concerns and recommendations.

This plays to a much wider point, that all councillors need to be fully briefed on the views of audit and inspectorate findings including Ofsted or Care Quality Commission (CQC).

No councillor should be able to say they did not know. All members need to be very clear on the scope of external audit work and indeed its limitations. Neither internal nor external audit exists to capture every weakness in council controls. It is the responsibility of officers and members to ensure robust arrangements are in place internally to prevent and detect controls weaknesses.

Quality of scrutiny

Our experience is that the quality of scrutiny varies considerably. The role model for rigour in scrutiny in the United Kingdom is probably the Public Accounts Committee (PAC) of Parliament. Albeit with the significant resource of the National Audit Office (NAO) and the ability to summon politicians, officials and wider stakeholders. The key tenet of the PAC is the fact that it is chaired by a member of the official opposition and its members of all political parties are required to demonstrate robust challenge.

In those councils where PIRs have been issued by auditors recently, the level and depth of challenge was nowhere near strong enough. Indeed, it is difficult to identify any outcomes from scrutiny that changed the approach or the path to the public interest reports. There have been longstanding calls for local PACs to be introduced to provide that level of challenge across all public services in a geography. Reflection on the outcomes of the pandemic raised questions for central and local government as to how the scrutiny of the performance of local public services can be improved.

Even if setting up new scrutiny functions feels difficult at the moment, it's undoubtedly true that scrutiny functions in councils need more resources, need to be better briefed and need to hold political and officer leadership to account in a more robust and sustainable way. If scrutiny does not achieve change it has failed. No political or officer leadership is infallible. Scrutiny should be the keyway of ensuring that council policies are open to proper challenge and focus.

Culture

The recent PIRs showed that for some councils the culture is not right. Culture must be about selflessly following the Nolan Principles in all aspects of political and officer life. These principles are set our below:

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

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

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

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

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

6 **Honesty**
Holders of public office should be truthful.

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

An open culture encourages challenge and criticism, it listens to ideas from opposition parties and it holds its leaders and officers to account for their actions. This needs to start with the political leadership and embed itself throughout the organisation. Being willing to listen to the perspectives of others is not only healthy in a democracy, it facilitates better decision making. In councils where PIRs were issued, auditors identified aspects of political culture that were not receptive to challenge, scrutiny or different perspectives. This meant that ill thought-out proposals, personal projects and poor stewardship of public funds were able to go unchecked.

Council leadership

The role of council leader is an extremely important one. The council leader should set the vision for the organisation, work in partnership with political colleagues and embrace key stakeholders in the council's broader community role. The leader or mayor should command respect based on their behaviours and values. Where it works well, an effective leader embraces change, embraces difference, and embraces different perspectives and welcomes challenge and scrutiny. This applies equally to cabinet members and portfolio holders.

In our view, one of the main reasons for the poor outcomes reflected in the recent PIRs was either the absence or the ineffective execution of the qualities described above. This led to the pursuit of political objectives with no effective scrutiny and challenge. Auditors have described outcomes which have led to:

- Failure to understand the inherent risk around investing in particular markets
- Failing to understand the crucial need to ensure financial sustainability of existing services before embarking on major new projects which brought extra layers of complexity and risk
- Salutary lessons to councils about conducting appropriate due diligence for investing and lending to third parties, however important they are to the local community.

A question of degree

The recent PIRs have made headlines because, up to this point, they stand out as rare examples of their kind. However, our work across a broad range of audit and consulting clients leads us to believe that it is often a question of degree, and perhaps a matter of timing, that separate these from a wider pool of councils with potentially similar governance failings.

The era of reduced central government grants, closely followed by the wholly unprecedented and as yet not fully understood post-COVID-19 landscape, is testing financial governance arrangements and risk mitigation strategies to breaking point. It is also bringing to light weaknesses in financial decisions that may have been made years ago and may otherwise have remained hidden. At an operational level, some of the common early indicators of future governance failings that we have seen over the past couple of years include:

- Lack of strategic alignment between financial, operational and political agendas, sometimes linked to a lack of corporate ownership of the medium-term financial plan and savings commitments.
- Disharmony or performance issues within the senior management team (or between members and officers) not being dealt with effectively. This results in poor co-operation, reinforces silos and in some circumstances can lead to directorates acting as semi-independent fiefdoms within the organisation.
- Financial and commercial decisions being made without sufficient transparency and consultation. In some cases, these are driven by trusted individuals in circumstances where there is a lack of opportunity for proper scrutiny.
- A lack of understanding of how to manage financial and commercial uncertainty and risk in the medium to long term. This can result in short-term financial strategies or, conversely, to overly risky long-term investments.
- Directorates left to develop financial plans and business cases, or manage commercial relationships, without sufficient oversight expertise, capacity, or resources. This heightens the risk of poor outcomes.
- Undue pressure placed on senior managers to set budgets using over-optimistic assumptions. This can allow a 'balanced budget' to be superficially achieved, but the issues inevitably manifest as recurring overspends at year-end which councils then struggle to mitigate.
- Gradual loss of financial control as roll-forward budgets become increasingly detached from actual activity and overspends are habitually netted off against underspends. This can disguise the root causes of directorate cost pressures and prevent them being addressed in a timely and effective way.
- Knowledge of how things really work or why decisions were made, becoming vested in a few key individuals. This makes the council vulnerable if these people were to leave. In some cases it grants them inappropriate levels of influence.
- Lack of control over financial and operational delivery, including remedial action plans. This is often due to insufficient oversight or a lack of timely and accurate management information, and timely and decisive action taken at corporate or committee level when issues are identified.
- Awareness of the significance of audit recommendations and qualifications and ensuring they are responded to properly and not ignored or side-lined.

When combined with the more general weaknesses in governance, scrutiny, culture and leadership, these more functional and operational weaknesses provide fertile ground for the kind of significant issues we might see in a Public Interest Report.

Recommendations

So, what can councils do now to root out some of these weaknesses and deal with them before they burst out on their own terms?

- Councils are now required to consider how they measure up against the Chartered Institute of Public Finance and Accountancy (CIPFA's) new Financial Management Code. This was greeted with some scepticism at first, but many are now seeing its value as a 'gold standard' against which arrangements can be tested. The Code emphasises that financial sustainability is the responsibility of all senior leaders, not just the finance team. Councils progress on delivering the Code will be a key part of auditors' value for money work going forward.
- Councils need to ensure that they are mindful of reserve levels at all times and ensure there is a clear strategy for maintaining adequate reserves. In our view this needs to be at least 5% of net General Fund expenditure flexed upwards to consider the macro-economic and local risks the council faces.
- Internal audit and risk assurance arrangements can be strengthened and emphasised as an asset to the organisation, rather than being side-lined. This will involve extra investment in these services but will have long-term benefits for the council's governance. External expert support should also be brought in at the right time and councils should open themselves up to a broad range of external perspectives, including benchmarking and LGA peer reviews.
- Greater focus on establishing a healthy management culture – starting with the "tone from the top" - that welcomes and encourages challenge rather than suppresses dissenting voices. Strong leaders are vital to getting things done, but it can be dangerous to vest too much un-checked influence in individuals.
- Look for opportunities to learn from the council's past experience and that of others. Use this to identify training needs for officers and members and make time to address them – common areas include options appraisal, optimism bias and prioritisation.
- Politics will always be there in the background, but council members should strive to work more collegiately, particularly when it comes to making strategic decisions with implications that reach many years into the future. Efforts to engender better cross-party co-operation, to improve transparency and embrace challenge from a wider cohort of members are likely to reap dividends in the long run, beyond the short-term expediency of decisions made behind closed doors.

Contacts us

Paul Dossett
Partner
Public Sector Assurance
T +44 (0)20 7728 3180
E paul.dossett@uk.gt.com

Philip Woolley
Partner
Public Services Advisory
T +44 (0)161 953 6900
E phillip.woolley@uk.gt.com

Grant Thornton

grantthornton.co.uk

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Recommendations to the sector by the Northamptonshire County Council Commissioners:

1. Choose your leadership team with rigorous care and for the right reasons. Do not compromise simply so that posts can be filled.

2. Recognise that for members, leading a recovery may be particularly difficult, and many may be new to senior positions. Decisions will never be more tested than at times like this, and must be based on evidence with well-founded, unambiguous recommendations.

3. 'Challenge' in the widest sense, whether internal or external, should be regarded as an opportunity to consider and improve, not a threat to leadership. Do not close your ears to messages that you do not want to hear.

4. Plan and plan properly - A clear, transparent and overarching sense of direction is crucial in order to drive forward Council activity and set it up for success. It is central to sensible and rational decision making, other plans flow from it. It should be commensurate with your purpose as a public body. Monitor and measure against delivery.

5. Ensure an unrelenting focus on financial management & discipline and a culture of continual improvement. They are the foundations of every good organisation. Deliver on budget and ensure savings agreed at the start of the financial year are delivered.

6. Dedicate proportionate resources to monitoring delivery of programmes to transform/modernise.

7. Take action, without delay, to address shortfalls in savings targets and do not work under a misguided assumption that 'it will all be all right in the end'. NCC, during the 7 years prior to the intervention, achieved annual savings significantly below those identified as necessary during its budget setting process (never more than 49%). This suggests that budgeted savings were not systematically or robustly challenged during the budget setting process and no account was taken of historical delivery performance. Local authorities should have robust processes in place to challenge the veracity of savings proposals – a lot depends on them being delivered.

8. Consider carefully what is suitable for out-sourcing and what isn't suitable – don't be led by trend or fashion.

9 Ensure robust and equitable contracts are in place with partners for all shared service arrangements in order to avoid subsidy or disadvantage.

10 If financial circumstances deteriorate, the influence of the scrutiny committee should be boosted in respect of financial overview. For example, provide impartial and independent training and advice to Councillors through the Centre for Governance and Scrutiny, to enable the committee to scrutinise effectively key decisions on services, income and expenditure and learn how to question without aggression.

11. Where services are under-performing be clear about why before corrective action is taken.

12. Robust scrutiny arrangements reduces the potential for ill thought-through decisions and are an indication of strength and confidence in decision making. Conversely, weak and disempowered scrutiny easily admits the possibility of untested and over-optimistic decisions, and, ultimately, failure.

13. Energise your workforce by supporting what works and changing what doesn't. Nothing demoralises staff more than bad management.

Appendix 3

Consolidated Action Plan for Improvements

	Action	Lead Officer(s)	Timeline	Update December 2021
1	Establishment of a monthly budget board for each Directorate (as already exist in some of the directorates).	David Skinner	Completed	A budget Board has been established for each of the Directorates.
2	Review of all current commercial properties to re-assess the future strategy and understand the risks for the new authority.	John Reed Mark Preston	Completed	A review has been undertaken and a report presented to CMT Budget Board on 22/09/2021 and shared with Cabinet Members on 7/10/2021.
3	Quarterly reporting of earmarked reserves, including the purpose and future planned movements.	Richard Ambrose	Completed	Quarterly monitoring is undertaken. The next monitoring report will be presented to CMT in January before forming part of the s151 Officer's 'Chief Finance Officer's Statutory Report' to Council in February.

Appendix 3

	Action	Lead Officer(s)	Timeline	Update December 2021
4	Stronger governance arrangements and regular reporting of financial position & performance against approved business plans: -			
4(i)	<u>Farnham Park Trust and Higginson Park Trust</u> - Review of operations and financial position (historic and projected) for Farnham Park. - Review of operations and financial position (historic and projected) for Higginson Park. - Strategic review of trust arrangements and agreement of future approach (informed by leisure strategy).	Sophie Payne Head of Finance (Fiorella Mugari)	March 2021 May 2021 March 2022	Reports have been provided to CMT providing details of the operations and financial position for each Trust. The projected financial position for both Trusts is monitored and 22/23 proposed budgets included in MTFP process considerations. The strategic review of trust arrangements is continuing, with Service Improvement involved in an options appraisal for Farnham Park as well as the wider service review. The arrangement for Trusts will fall out of this work and the Leisure Strategy. The 3 key components of the Leisure Strategy (Indoor Facilities Strategy/ Playing Pitch Strategy/ Open Space Strategy) are being developed, for approval in 2023.

Appendix 3

	Action	Lead Officer(s)	Timeline	Update December 2021
4(ii)	<u>Consilio and Aylesbury Vale Estates</u> - Set up a Companies & Partnerships Oversight Board to provide structure and visibility to the monitoring and governance arrangements. - Governance and oversight arrangements to be formalised and published and subject to an internal audit review. - Annual report to be presented to CMT and Informal Cabinet to enable the Council to exercise its rights as a Shareholder (incl. review of accounts and business plan). - Due to Consilio being a small, young company that is closely knit to the Council consider and shape the future direction of the management of the company as it grows. To be directed by Companies Oversight Board.	Ian Thompson John Reed Claire Hunter	March 2021 Sept 2021 Before AGM (Sept) On-going from March 2021	A report on Shareholder Board arrangements will be going to CMT in January.
5	Review of loans made to external bodies (e.g. Consilio, AVE, Enterprise Zones, Silverstone) to ensure repayments are being made promptly and an evaluation of risks is undertaken.	Mark Preston	July 2021 (6-monthly)	A review of loans has been undertaken and reported to CMT Budget Board on 22/09/2021 and shared with Cabinet Members on 7/10/2021.
6	Review the financial model and how service finance currently work with directorates to ensure strong financial management and grip that adds value and enhances decision-making: (i) Complete current assessment of arrangements. (ii) Implement required changes to model (as part of service review).	David Skinner	Commence Assessment (June 2021) Receive draft report from CIPFA (Dec 2021) Service Review to conclude (Sept 2022)	The review of the Service Finance (and the whole of Finance) model will form part of the Finance Service Review and will be informed by the CIPFA review of general financial management in the Council.

Appendix 3

	Action	Lead Officer(s)	Timeline	Update December 2021
7	It would be of significant benefit to make sure that all directorship/representative roles have comprehensive training to ensure they fully understand their role and responsibility as a Council director/representative.	Nick Graham	June 2022	This will be considered by the Legal Principal Governance Officer once they start in January 2022.
8	Contracts: Legal will continue to monitor capacity in this area and liaise with finance and procurement colleagues regarding forthcoming contacts up for renewal to ensure that these are properly supported.	Nick Graham	March 2022	We have successfully recruited two permanent contract lawyers, including a very experienced team leader who starts in December. We have difficulties pending their start date with finding suitable locums. We are utilising external firms where possible. We have seen a significant increase in instructions.
9	Service Directors for Finance and Legal to discuss and clarify roles and expectations around procurements.	Nick Graham	January 2022	Discussions have taken place and it has been agreed that a further review with the new Team Leader takes place to ensure a clear understanding of the roles and responsibilities between Procurement and Legal.
10	Legal to review with HR the recruitment campaign when completed.	Nick Graham	January 2022	In progress.
11	Legal to review with Service Directors notification and approval process for external instructions.	Nick Graham	Ongoing	Whilst there have been improvements, there is still work to do with ensuring proper sign off for all external instructions.
12	Legal to liaise with internal communications team about profile raising corporate governance issues.	Nick Graham	March 2022	Legal has appointed a Principal Governance Officer who will take forward this action. They are due to start in January 2022.

Audit and governance committee draft work programme

Meeting date	Topic	Contributors	External presentation (Y/N)
22-Jun	Whistleblowing Policy. Anti-Fraud and Corruption Policy. Anti-Money Laundering Policy. External Audit Update. Business Assurance Strategy (including Internal Audit Plan) 2021/ 2022. Risk Management Framework 2021/ 2022. Appointments to the Risk Management Group. Internal Audit Charter. Work programme.	Maggie Gibb Richard Ambrose	Iain Murray Grant Thornton
28-Jul	Buckinghamshire Council Audit Plan. Buckinghamshire Council Fee letter. Pension Fund Audit Plan. Update on External Audit Actions. Business Assurance Update. Treasury Management Annual Report 2020/21. IT Audit Needs Assessment. Risk Management Group update. Work programme. Contract Exemptions & Breaches.	Julie Edwards Cael Sendell-Price Simon James Maggie Gibb Richard Ambrose	Iain Murray Grant Thornton Martin Baird Mazars
29-Sep	Full Council Motion – Climate Change Risk Management. Pension Fund Statement of Accounts 2020/ 2021 and Pension Fund Audit Findings. Business Assurance Update. Risk Management Group update. Work programme.	Maggie Gibb Julie Edwards Richard Ambrose	Iain Murray Grant Thornton
30-Nov	Full Council Motion – Climate Change Risk Management. (Maggie). IT Audit Plan update. (Martin/ Tony/ Sarah B) - verbal update. Business Continuity Management update. (Sarah M-B/ Lloyd). Buckinghamshire Council Annual Report of the Chief Auditor 2020/ 2021. (Maggie). Farnham Park Accounts. Business Assurance Update. (Maggie). Treasury Management mid-year update 2021/ 2022. CIPFA Review - verbal update. Risk Management Group update. Work programme.	Tony Ellis Sarah Barnes Sarah Murphy-Brookman Lloyd Jeffries *Resources Directorate* Hasina Shah Expert Finance Systems Lead Sophie Payne Service Director Communities Julie Edwards Pension and Investments Manager Maggie Gibb Head of Business Assurance and Chief Auditor Richard Ambrose Section 151 Officer, Service Director Corporate Finance	Martin Baird Mazars (IT audit item).
25-Jan	Report on the Public Sector Audit Appointment (PSAA). ~~Buckinghamshire Council Annual Governance Statement 2020/ 2021.~~ Buckinghamshire Council Draft Statement of Accounts 2020/ 2021.(audit not complete) Higginson Park Trust Fund accounts. Treasury Management Strategy 2022/ 2023. 2021/22 Business Assurance Strategy Update. Contract Exemptions & Breaches (6 month update). Lessons learnt from other local authorities. ~~Risk Management Group update.~~ Work programme.	Julie Edwards Pension and Investments Manager Maggie Gibb Head of Business Assurance and Chief Auditor Cael Sendell-Price Head of Strategic Procurement Richard Ambrose Section 151 Officer, Service Director Corporate Finance	
22-Mar	Buckinghamshire Council Statement of Accounts 2020/2021 Buckinghamshire Council Final Audit Report 2021/ 2022. Buckinghamshire Council Annual Governance Statement 2020/2021 Update on External Audit Actions. 2021/22 Business Assurance Strategy Update. External Quality Assessment of Conformance to the Public Sector Internal Audit Standards (CIPFA) Council Constitution. Audit and Governance Committee Annual Report to Council. 2022/23 Draft Business Assurance Strategy Risk Management Group update. Work programme.	Maggie Gibb Head of Business Assurance and Chief Auditor Richard Ambrose Section 151 Officer, Service Director Corporate Finance	
11-May	Audit and Governance Committee Review of Effectiveness. 2022/23 Business Assurance Strategy Update. Risk Management Group update. Work programme.	Maggie Gibb Head of Business Assurance and Chief Auditor Richard Ambrose Section 151 Officer, Service Director Corporate Finance	
Tbc	Housing Fraud Strategy	Maggie Gibb Head of Business Assurance and Chief Auditor	

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Audit and Governance Committee action log

Last updated: 14 January 2022

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
1	**2019/ 20 District Audit Fees Update** Richard Ambrose to report back to committee the outcome of the discussions with the Public Sector Audit Appointment (PSAA) in relation to the 2019/20 district audit fee increases.	Richard Ambrose	24-Mar-21	24-Nov-21	**Update 28-Jul:** Public Sector Audit Appointment (PSAA) had now confirmed fees relating to the former Buckinghamshire County Council (BCC) but had not yet confirmed the fees in relation to the four legacy district councils. The Section 151 Officer was awaiting PSAA to review the reasons for disputing the fees, and would be contacted by the PSAA in due course. **Update 29-Sep:** PSAA had made contact and set out a process for the council. The PSAA were speaking to the audit company in question - there was no specific timeline on a PSAA response. **Update 30-Nov:** A resolution had finally been reached with the external auditors for the 2019/20 District Audit fees that had seen a £69K reduction in the audit fee	30-Nov-21	Closed
2	**Business Continuity Management** That target completion dates to be provided for the BCPs being undertaken in the Communities and PG&S areas	Maggie Gibb	30-Nov-21	28-Feb-22			**Ongoing**
3	**Farnham Park Sports Fields Charity Annual Report and Financial Statements 2020/21** that a verbal update to provided to a future meeting on the outcomes of the outstanding audit work	Richard Ambrose	30-Nov-21	31-Mar-22			**Ongoing**
4	**2022/23 Internal Audit Plan** Councillors be invited to submit areas which might benefit from internal review, when the plan is being put together .	Maggie Gibb	30-Nov-21	28-Feb-22			**Ongoing**
5							

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
6							
7							

Audit and Governance Committee completed actions

Last updated: 14 January 2022

No.	Action required	Contact officer	Date raised	Due date	Date resolved (grey when resolved)	Status
	OUTCOME OF INSPECTION FROM THE INVESTIGATORY POWERS COMMISSIONER'S OFFICE (IPCO) That Officers be asked to implement the additional recommendations from the IPCO report. That an update on the use of the RIPA powers generally by the Council be reported to the Committee in March 2021	Nick Graham Service Director Legal and Democratic Services	27-Jan-21	27/07/21 24/03/21	29-Sep-21	Completed
	TREASURY MANAGEMENT STRATEGY To make the proposed amendments and recirculate the amended strategy to committee members for approval prior to full council.	Richard Ambrose Service Director – Corporate Finance (S151)	Richard Ambrose	24-Mar-21	28-Jul-21	Completed
	UPDATE ON SIGNING OF LEGACY ACCOUNTS To receive an update on fees from enrst and young	Andrew Brittain Ernst & Young	27-Jan-21	24-Mar-21	24-Mar-21	Completed
	FARNHAM PARK SPORTS FIELD CHARITY ANNUAL REPORT AND FINANCIAL STATEMENTS 2019/20 Service Director – Corporate Finance be requested to inform the relevant Cabinet Member(s) of the Committee's concerns regarding the financial viability of the Charity. That a report on the Charity's financial viability, as discussed at the meeting, be submitted to the next Committee meeting in January 2021	Richard Ambrose Service Director – Corporate Finance (S151)	18-Nov-20	24-Mar-21	24-Mar-21	Completed
2	**Council action plan** Iain Murray to update on process against the planned actions on the council action plan, to the June or July meeting of the Audit & Governance Committee	Richard Ambrose	24-Mar-21	28-Jul-21	28-Jul-21	Completed

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