



## Audit and Governance Committee agenda

Date: Wednesday 23 November 2022

Time: 10.00 am

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

### Membership:

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

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Agenda Item 3

# Buckinghamshire Council

## Audit and Governance Committee

### Minutes

**MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON TUESDAY 27 SEPTEMBER 2022 IN THE OCULUS, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF, COMMENCING AT 10.00 AM AND CONCLUDING AT 1.00 PM**

#### **MEMBERS PRESENT**

R Newcombe (Chairman), L Clarke OBE (Vice-Chairman), A Christensen, M Dormer, D Goss, M Hussain, S Rouse and N Thomas

#### **Agenda Item**

##### **1 APOLOGIES**

Apologies had been received from Councillors D Anthony, R Carington, T Dixon, and C Etholen.

Mr David Skinner, Service Director for Finance and Section 151 Officer was welcomed to the Committee having taken over the Section 151 Officer role from the former Service Director for Corporate Finance. Mr Skinner gave a brief overview of his experience and background in local government finance and added that he looked forward to working with the Committee.

##### **2 DECLARATIONS OF INTEREST**

Councillor N Thomas declared a personal and prejudicial interest in items 5 and 6, Farnham Park Sports Fields Charity Annual Report and Financial Statements 2021/22 and Higginson Park Trust Fund Accounts 2021/22 respectively, as a Member of the Leisure Board which discharged the Council's responsibilities as corporate Trustee for the two Trusts whose responsibilities included the preparation of annual accounts and budgets. Councillor Thomas would leave the meeting room whilst those items were discussed.

Councillor S Rouse declared a personal interest in item 8, 2022/23 Business Assurance Strategy Update (including Internal Audit Plan) as Chairman of the Buckinghamshire and Milton Keynes Fire Authority.

##### **3 MINUTES**

Updates were provided on a number of actions from the previous meeting. The Chief Auditor would present the new team structure at the next Committee meeting in November. The action on page 5 of the reports pack to circulate a table to support the treasury management annual report remained outstanding and would be followed up. Lastly, the treasury management training session would now take place prior to or immediately following the next meeting of the Committee in November.

**ACTION: L Ashton to circulate invite for training session pre/post the Committee meeting on 23 November.**

**RESOLVED:**

**That the minutes of the meeting held on 28 July 2022 be approved as a correct record.**

**4 BUCKINGHAMSHIRE COUNCIL STATEMENT OF ACCOUNTS 2020/21**

The Committee received a verbal update on the latest situation with the Buckinghamshire Council Statement of Accounts 2020/2021. Mr David Skinner, Service Director for Finance and Section 151 Officer and Mr Iain Murray, Grant Thornton (External Auditors) attended to present the update. Key points raised in discussion included:

- It was confirmed that the Statement of Accounts had been submitted to Grant Thornton on 23 September. The Committee and the Section 151 Officer placed on record their thanks to Ms Hasina Shah, Head of Finance systems and her team for their work and progress made over the past month. The Council had been successful in appointing to the Chief Accountant position who would take up post in November and assist in providing ongoing focus and ensuring that there was sufficient capacity to deliver accounts on time moving forward. The 2020/21 accounts were now subject to review by Grant Thornton, whilst the Council team commenced work on preparing the 2021/22 Statement of Accounts for submission.
- At the time of this meeting, Grant Thornton had only had one working day to review the accounts, however Mr Murray confirmed that many of the amendments made were as expected whilst there were further areas where there had been movement which would require discussion with officers. It was noted that much of the transactional audit work had previously been completed.
- The national issue affecting all upper tier authorities on infrastructure accounting remained a significant challenge as there now needed to be a Statutory Instrument implemented to deal with the issue. As national events had led to certain prioritisation for the Government, the legislation timetable to pass the Statutory Instrument had slipped and was now not expected to be passed until the end of November at the earliest. Given that the previous target date was June/July, there was caution around the November expectation.
- Members were advised that the majority of local authorities were in a similar position with respect to the infrastructure accounting issues, although some authorities had signed their accounts subject to a qualified opinion, whilst a minority had significant detail to the accounting level of infrastructure assets which allowed them to progress. The professional view and advice from the Section 151 Officer was to wait for the Statutory Instrument to be passed rather than accept a qualification. This was also the advice from the Society of County Treasurers.
- Mr Murray would be leaving his role at Grant Thornton in November and advised that it would be the incoming partner who would sign the accounts off. Reassurance was given to the Committee that there was no reason to believe that the handover would lead to any further unexpected delay. The Committee thanked Mr Murray for his work with the Council, and previously the County Council and wished him luck for his new position at CIPFA.
- At the point Grant Thornton were satisfied with the accounts, they would be brought before this Committee to approve, and for authority to be delegated to the Chairman and Section 151 Officer to sign the accounts, provided that there was nothing of significant concern related to the infrastructure assets accounting issues.

**RESOLVED:**

**That the Buckinghamshire Council Statement of Accounts 2020/21 verbal update be noted.**

**4A TREASURY MANAGEMENT UPDATE**

The Chairman agreed to the addition of an urgent agenda item in respect of the Council's Treasury Management Strategy. At the meeting of Full Council held on 21 September, Members raised concern around Council loans to Thurrock Council. A Commissioner and Best Value Inspector had been appointed at Thurrock Council following the authority having experienced significant financial difficulties. The provisions within the Council's existing Treasury Management Strategy included where a local authority the Council had an investment in was subsequently issued a Section 114 notice or capitalisation directive that it would be reported to the Audit and Governance Committee at the earliest opportunity. Whilst this case was slightly different in that it was not a Section 114 notice, the Chairman requested an update be provided.

The Section 151 Officer reported that the loan had been issued to Thurrock in January 2022 and was due to mature in January 2023. The loan was compliant with the Council's Treasury Management Strategy and it was advised that no local authority had previously defaulted on a loan repayment. Provision within the Local Government Act in terms of loan recovery noted that a charge could be placed on all future revenues of the borrowing authority to ensure the lending authority received its funds.

The Committee was advised that the Treasury Management Strategy for 2023/24 would be amended to ensure the broader range of Government interventions for local authorities was covered. The draft would be considered by the Committee at its meeting on 1 February 2023 prior to going on to Full Council for approval. If there were further financial issues experienced by any authority the Council held an investment in this would be brought to the first available Audit and Governance Committee meeting for consideration and the Chairman and Vice-Chairman would be made aware of the issue in the interim period.

**RESOLVED:**

**That the Treasury Management Strategy be amended, so that in addition to local authorities' subject to a Section 114 notice or those having been granted permissions to use capital to help with their revenue budgets, any other instances of Government intervention also be referred to, furthermore, any other untoward financial event experienced by an authority who the Council held an investment in would be reported to this Committee.**

**5 FARNHAM PARK SPORTS FIELDS CHARITY ANNUAL REPORT AND FINANCIAL STATEMENTS 2021/22**

*Note 1: Councillor N Thomas left the meeting room for items 5 and 6 having declared an interest.*

The Committee considered a report which contained the draft Annual Report and the Financial Statements for the year ended 31 March 2022. These 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 accounts had been audited by Azets Audit Services. Ms Sophie Payne, Service Director for Culture, Sport and Leisure and Ms Fiorella Mugari, Head of Finance for Communities attended to present the update.

The Council as sole trustee had introduced enhanced governance arrangements which included oversight on Trust activities by the Leisure Board and reports to the Corporate Management Team board meetings.

The net worth of Farnham Park Sports Field Charity had increased by £3k to £480k in 2022. The net operating surplus for the year was £3k compared to a net operating loss of £202k in 2020/21. The main reason for the movement was the introduction of management fee income of £231k payable by Buckinghamshire Council to manage and operate the land known as South Buckinghamshire Golf Course along with Farnham Park Playing Fields.

Key points raised during discussion included:

- The Chairman noted that during the previous municipal year, the Committee had raised concern around the Section 151 Officer signing the accounts for the Farnham Park Sports Field Charity and Higginson Park Trust respectively, in both their capacity on behalf of the Trustee and as the Council's Section 151 Officer as it was felt that this placed the Section 151 Officer in an invidious position. Whilst there was no legal conflict, the Committee requested that this not happen again, however with the change to the Council's Section 151 Officer the same situation had happened with the 2021/22 accounts. The Committee requested that this situation was remedied for the 2022/23 accounts and beyond.

**ACTION: The Section 151 Officer to ensure that the 2022/23 accounts, and subsequent years were signed by a separate officer on behalf of the Council as a Trustee.**

- The Chairman welcomed the improved financial positions of Farnham Park Sports Field Charity and the Higginson Park Trust Fund following on from the significant impact the Covid pandemic had on both Trusts.
- The Committee was advised of the two sites in Farnham Park and Farnham Royal which consisted of the South Buckinghamshire Golf course and the playing fields. The mix of facilities at the playing fields included well used football pitches and the national headquarters of Baseball/ Softball UK whilst there was also a rugby club and martial arts club. The staffing team that ran the sites were Council employees whose salaries were recharged to the Trust.
- Members were reminded that 2020/21 had been a difficult year across the leisure industry with closures or centres operating with significant restrictions. 2021/22 reflected an improved position in line with the Government road map of gradual reopening. The Trust had continued some of its previous measures to mitigate for income loss such as holding vacancies. The Council had also made provision for a sum to cover the running costs of the playing fields to recognise the importance they had on improving residents' health and wellbeing and some investment in to the playing pitches had been made to increase future usage. Nearly 37,000 rounds of golf had been played during the financial year, 15,000 participants took part in Baseball/Softball UK and 9,000 had been involved in football at the site.
- There was now a service level agreement in place between the Council and the Trust to formalise the arrangements and specifics of grounds maintenance. There continued to be some impact of Covid, particularly within bar and catering where recruitment had been challenging and customer confidence was still returning.
- Inflation and energy costs were a key concern this year, figures were being calculated on the latest Government advice, and mitigations being made included holding a post vacant, increasing prices in line with inflation, Baseball/Softball UK investing to develop their facilities and partnerships with the likes of UK Padel being explored.
- Clarity was provided on the two internal control areas which were amber within the audit. Members were advised that the fixed asset register was reviewed annually and that a decision to demolish or refurbish those buildings in a poor state would be linked in to the Leisure Strategy which was due to be completed in early 2023. It may be that within the Strategy, Farnham Park was identified as a potential site for investment. In relation to the lack of tracking on flexi points Members were informed that a report could now be run for any member to inform them of their points balance and this fed

through to the monthly outturn. It was being explored with the service provider whether the points balance could be added to receipts each time a member played.

- It was noted that on the Opening balances internal control, as part of the system changeover, balances had not matched with the accounts. The balances would be agreed as part of the process moving forward and as these accounts were signed off.

#### **RESOLVED:**

- 1. That the audit progress and findings report from Azets (Appendix 2) be noted.**
- 2. That the Letter of Representation (Appendix 3) be approved.**
- 3. That the Annual Report and Financial Statement for 2021/22 be approved.**

#### **6 HIGGINSON PARK TRUST FUND ACCOUNTS 2021/22**

The Committee considered a report which contained the draft Annual Report and the Financial Statements for the year ended 31 March 2022. These 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 accounts had been audited by Seymour Taylor Audit Limited. Ms Sophie Payne, Service Director for Culture, Sport and Leisure and Ms Fiorella Mugari, Head of Finance for Communities attended to present the update.

The total net worth of Higginson Park Charity had increased by £202k to £7,430k in 2022. This was mainly due to increased valuation of property resulting in unrealised gains of £287k, offset by the net operating loss of £85k (after allowing for depreciation costs of £191k on the tangible fixed assets) – in comparison with a 269k net operating loss in 2020/21 (£190k depreciation costs). Net operating losses were significantly lower in 2021/22 because of increased operational income due to lifting of Covid 19 restrictions, which enabled a wider range of activities to resume, plus one-off income of £105k from the Government's Support Scheme relating to losses incurred in 2020/21.

There was no management fee income contribution from Places for People Leisure to the Trust during 2021/22 due to the ongoing COVID-related recovery of leisure (with restrictions on indoor leisure continuing in the initial months of the year), but this management fee income had started to return during the 2022/23 financial year.

Key points raised during discussion included:

- 2021/22 had very much been a year of recovery, particularly for the leisure facilities which were gradually re-opened to customers. There had been a strong return of events during the summer period and a good level of car parking income generated.
- One commercial tenant had entered administration and the process of marketing the vacant site had commenced.
- Funds had been secured to replace a failed piece of equipment in the play area.
- It was queried whether income was received from moorings on the Thames and Members were advised that income was received and collected through the Places for People contract. Officers held monthly meetings to assess the details of leases and various sources of incomes. One service improvement being explored was to automate the collection of mooring income using the RingGo provider.
- It was clarified that the annual maintenance contract was part of the wider grounds contract for the Wycombe area and those costs were recharged to the Trust.
- A Member asked for further detail on the significant findings from the audit and the Committee heard that there was nothing to note in respect of revenue recognition and

management override; it had previously been requested for property valuations to be sent direct to the auditors, however this had not happened again in 2021/22, efforts would be made to ensure this happened for the 2022/23 financial year; for charitable expenditure it was agreed that invoices recharged from the Council were required to be maintained and this would happen for the 2022/23 financial year; and lastly the charity had set up its own accounting system which should be up and running during the course of this financial year and a separate bank account was now in place. The account was linked to the Council's accountancy system and transactions were being processed through the system. It was confirmed that the issue of the charity not having its own bank account had been picked up during the previous year's audit, although due to Covid there had been delays in the application process at that time

**RESOLVED:**

- 1. That the audit progress and findings report from Seymour Taylor (Appendix 2) be noted.**
- 2. That the Letter of Representation (Appendix 3) be approved.**
- 3. That the Annual Report and Financial Statement for 2021/22 be approved.**

**7 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR 2021/22**

*Note 2: Councillor N Thomas returned to the meeting*

The Committee considered a report which detailed the Chief Internal Auditor's annual assurance opinion on the adequacy and effectiveness of the Council's internal control environment, risk management and corporate governance arrangements in place during the year. The overall 'reasonable' opinion was based on an objective assessment of the framework of governance, risk management and control.

The annual internal audit opinion contributed to the completion of the Annual Governance Statement (AGS). It was specifically scheduled to be considered as part of the Council's annual review of governance and internal control.

The Committee thanked the team for the comprehensive report and acknowledged the wide scope and large amount of work undertaken, particularly in light of resource challenges and the wider implementation of a new Council. Members were taken through the details of the report and the Chief Auditor summarised how the overall opinion of 'reasonable' assurance had been reached. The following key points were highlighted during discussion:

- Members queried how the opinion could reach 'substantial' in the future and heard that it was very difficult to move beyond 'reasonable' due to the limited scope of work undertaken within the resources available. Due to the limited resources, there was a need to focus on the key risk areas which meant that assurance could only be provided on those areas which had been reviewed.
- A Member highlighted the 'limited' assurance opinion of the project governance audit undertaken within the Planning, Growth and Sustainability directorate and it was confirmed that the directorate would be asked to discuss this in detail to the Risk Management Group at an upcoming meeting, particularly as large projects, both planned and underway would be affected by rising energy costs and inflation. Lessons had been learnt from the South East Aylesbury Link Road (SEALR) project, and the team had focused a review on the Strategic Transport and Infrastructure service to evaluate a sample of projects and review how they were managed at a granular level, with recommendations made for moving forward. This would feed in to the wider directorate



framework.

**ACTION: Members of the Risk Management Group to be reminded to raise the issue at their next meeting with the Planning, Growth and Sustainability directorate.**

- In relation to contract management, Members noted that there was reference to procurement and the supplier management group which provided the framework of compliance and best practice, and recognised that that service areas could not be forced to comply. The Committee was advised that the procurement team monitored compliance through the contract management application which the team was actively encouraging appropriate use of and provided regular training on. Non-compliance was escalated through the appropriate channels. Members highlighted that whilst service areas could not be 'forced' to comply, this was a staff performance issue and should be addressed through management supervision. It was confirmed that if a staff member deliberately chose not to comply for a prolonged period that there were HR policies to address the behaviour. It was agreed that an update on compliance percentages would be presented at a future meeting of the Risk Management Group.

**ACTION: Members of the Risk Management Group to be reminded to raise the issue at their next meeting where procurement was due to be considered.**

- There was a discrepancy in the number of outstanding actions which related to schools and it was confirmed that 29 of 34 actions was the correct figure.
- Members heard that linked to the current financial climate, the risk of fraud had increased and there was a large amount of work ongoing to raise awareness of the reporting process. A significant amount of post assurance work had been undertaken on covid grant payments which had led to investigations. The service review had recognised the increased referrals and there was resource being allocated to additional fraud officer roles to carry out investigations. The whistleblowing process was said to be working well and the team worked closely with colleagues from Legal and HR. The updated policy would be presented to the Committee at its meeting in November.
- In relation to the Work Smart hybrid working arrangements, the Committee was advised that this had impacted the time taken to complete internal audits. This in particular, affected services such as Adults and Childrens where in previous years an auditor from Mazars would sit alongside someone from the team to go through case files which had been made more difficult as people spent more time away from the office. Moving forward, the team was planning to undertake time intensive audits internally as the systems were known and there were better relationships. It was highlighted that the hybrid arrangements with the fire authority had been positive and worked well. The team would be looking at the wider Better Buckinghamshire programme and whether it was delivering the benefits and savings as expected, this piece of assurance work was planned to be undertaken in close liaison with the Service Director for Major Projects and would be presented to the Committee when completed.
- There was a discussion on classifications and how those at the lower end of 'reasonable' could be given more focus than those at the upper end. A pragmatic approach was undertaken, with the example given of where a system had good controls in place and was stable, this would not be revisited again for a while. CIPFA best practice was to have the four classifications, which was why there were no sub classifications included. The team would give thought as to how to report this in a clearer way moving forward, particularly for those areas on the verge of 'limited' assurance.
- Members were advised that audit and assurance activity was being planned for the new Highways contract due to go live in April 2023. The Risk Management Group would consider this at an upcoming meeting.

**ACTION: Members of the Risk Management Group to be reminded to raise the issue at their next meeting with the Communities directorate.**

- An update was requested on the deferred Adult Social Care audit on 'Interface - Hospital

Discharges and Social Care' and the Committee was advised that due to the change in legislation, the impending process changes resulting from this and the area of the service going through a review, discussions were ongoing with the Service Director around when to undertake the assurance work. It was acknowledged that early involvement from the assurance team was important and discussions would continue as to how the team could look at project management, and proposed changes at an early stage. It was noted that there was good engagement from the service area.

- The Social Care – Care Leavers audit which had been cancelled was raised, and Members were informed that this was being picked up as part of the review on the work undertaken on progress against the Ofsted inspection visit and finding. This would be reported at November's Risk Management Group meeting.
- A Member raised concern over the large number of deferrals, at the request of SLT, an issue which had been raised at previous meetings of this Committee. It was confirmed that there was a more robust challenge system being put in place around this which should become evident this year.

**RESOLVED:**

**That the Chief Auditor's Annual Internal Audit Report for 2021/22 and the overall 'reasonable' opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control environment for 2021/22 be noted.**

*Note 3: Councillor A Christensen arrived at 10.54 a.m.*

## **8 BUSINESS ASSURANCE STRATEGY UPDATE 2022/23**

The Committee considered a report which provided an update on the Business Assurance Strategy 2022/23, and included progress against the Internal Audit Plan. The 2022/23 Internal Audit Plan had been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working with consideration of the service reviews which were in progress.

The Committee was advised that the new team structure would be published in November and recruitment processes were underway. The Business Continuity Management function would become part of the structure, and an update on this area would be presented to Members in November.

During discussion, Members raised queries on SEND, overall project governance and lessons learnt from major projects. In terms of the SEND payment processes, the Committee was informed that this would be reported to both the Risk Management Group and to this Committee at a future meeting. This work was underway and recommendations were being formed as this was a significant risk area within Children's Services. The Chief Auditor would be meeting with the new Corporate Director in the coming weeks to discuss risks in this area. There was also concern around whether it was the right approach to disaggregate the components of the emerging concerns from the Ofsted report and the payments process in respect of SEND. Members heard that by separating the processes, recommendations for improvements could be made more efficiently. For example, in reviewing the work of SEND co-ordinators on case files, and the path to management prior to reviewing the payments process meant that feedback could be given on those first stages at an earlier time. The Committee was advised that an assurance lead was being recruited who would review assurance mapping and assist with the overall assurance of particular services. There would be support provided from Price Waterhouse Coopers in setting up a wider assurance framework which would become a useful tool for the organisation and feed in to the Annual Governance Statement.

In respect of the findings coming out from the various large projects which had been looked at for business assurance purposes, the Committee was advised that lessons had been learnt and information was being shared. For example, the robustness of the waste contract following the waste collection issues in the south of the county was taken in to consideration when developing the new highways contract. The SEALR project was also highlighted as a project where learnings had fed in to a larger governance piece of work to ensure that similar issues did not occur in other projects. Where issues were identified in schools, these were shared through schools' web and bursar briefings to educate others.

It was queried whether staff required further training on the wider impact of their work and its effect on end to end processes. The Committee heard that a number of services had process maps in place for everyone to understand the role they played, although this was not consistent across the Council. This had been addressed in part by the service improvement team who reviewed processes during service reviews and this issue would link in with the work due to take place to look at the Better Buckinghamshire programme and whether processes were working, were more efficient and realised savings.

**RESOLVED:**

**That the report be noted.**

**9 DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22**

The Committee considered a report which contained the draft Annual Governance Statement (AGS) for 2021/22. This was the second AGS for Buckinghamshire Council and related to the second year of the Council's operation as a unitary authority. Recovery from the Covid-19 pandemic was a key feature of the year. Mr Glenn Watson, Principal Governance Officer attended to present the report.

The CIPFA guidance advised that an AGS should contain an Opinion as to the effectiveness of the governance arrangements, given by the Chief Executive and Leader of the Council. The draft AGS contained such an Opinion for 2021/22 based on the assurances contained within it:

"the Council's governance arrangements in 2021/22 were sound and provide a robust and effective platform for achieving the Council's priorities and challenges in 2022/23. It is our opinion that this has remained the case despite the very real challenges of providing services during a period of recovery from the COVID-19 pandemic."

The draft AGS was formed taking in to consideration feedback from Business Managers and Directorate Leadership Teams; Members of this Committee and the Corporate Management Team. The draft also reflected the conclusions reached in various annual, and other reports received by Council, Cabinet and Committees which related to aspects of governance during 2021/22. The report also reflected the work of this Committee in overseeing governance.

Key points raised during discussion included:

- Members welcomed that there would be a change in the presentation format to the AGS from next year.
- A Member highlighted that there were six Select Committees, rather than the four noted in the draft AGS and raised that there was a low level of detail included about the work of the Council's Select Committees in holding decision makers to account. It was further suggested that more emphasis be included on the different roles of committees. It was also raised that the reference to the timeliness of code of conduct processes and the nature of the complaints received and their outcomes were on the work programme of the Standards and General Purposes Committee, rather than the Audit and Governance

Committee as noted in the draft AGS.

- A Member recognised that the Senior Leadership Team was referenced in the covering report however was not referred to in the AGS itself. It was raised that thought should be given to those residents who were not IT conversant and how they would be able to view the final version of the AGS once published. Further, a Member suggested that reference be made to GDPR in addition to the Council's complaints, whistleblowing, anti-fraud and corruption and anti-money laundering policies.
- Concern was raised that the AGS presented a very positive statement and did not pick up on lessons learnt throughout the year and areas for improvement. A Member gave an example of the Risk Management Group having commented at times in the year, that directorates often operated at a greater level of risk than Members were comfortable with.
- A Member noted that the statement referring to Community Boards, which read very positively did not necessarily reflect the views of all stakeholders involved with the Boards and he raised that a number of Town and Parish Councils were not entirely satisfied with their respective Boards operation.
- A Member commented that with the exception of Ofsted, he believed that CMT could further reflect on the priority actions and provide more substantial improvements within the document. It was also highlighted that whilst the SEND Ofsted inspection report was released in April, the majority of the work had been undertaken throughout 2021/22 and this had not been reflected within the AGS.
- The Chairman reminded Members that at the previous meeting of this Committee, it was agreed that Mr Watson would write to Members to seek their input on the draft AGS, to which a limited number of responses from Members were received, although it was accepted that this was over the summer holiday period. Members were invited to write or speak to Mr Watson before close of play on 14 October with their comments. The draft AGS would then be brought back before Members at the Committee meeting in November for approval. For future years it was requested that Members of the Committee had earlier sight of the draft to allow additional time for comments.

**ACTION: Committee Members to contact Mr Watson individually with comments on the draft AGS prior to close of play on 14 October 2022.**

**RESOLVED:**

**That the draft Annual Governance Statement 2021/22 be noted and brought back to the Committee on 23 November for approval.**

**10 RISK MANAGEMENT GROUP UPDATE**

The Committee received a report which provided an update on the Risk Management Group (RMG) meeting held on 5 September 2022. The Deputy Chief Executive (DCE) attended the meeting along with the Service Directors for Partnerships, Policy and Communications, Legal and Democratic Services, Major Projects and Service Improvement. The Head of Finance for the DCE directorate was also in attendance. Risks were discussed in detail, as were the mitigating actions which were challenged by the Group. Members noted the key risk themes that came out of each of the meetings as detailed in the report.

The Group considered the latest version of the Fraud Risk Register and were advised that it was broadly similar to the previous year. The risks had been reviewed and actions updated by the Fraud Team, and this will be subject to a "deep dive" review once the new Audit, Assurance and Fraud Manager had been appointed.

The Group also considered the latest version of the Strategic Risk Register which had been discussed by CMT the previous week. The cost of living crisis and energy price rises were

highlighted and work was ongoing with CMT to scope the level of risks this posed.

A “horizon scanning” paper was presented to RMG which included new and emerging risks for discussion, including displaced persons, inflation and the introduction of care costs cap. A further meeting was scheduled prior to the next meeting of this Committee, at which a further update would be provided.

**RESOLVED:**

**That the report be noted.**

**11 WORK PROGRAMME**

The Committee considered the work programme which detailed the items scheduled for the November meeting. It was hoped that the Business Continuity Management Strategy would also be added to the November meeting, along with the Treasury Management training session. As noted under item 9, the draft Annual Governance Statement would also be presented at the November meeting.

The Chief Auditor was reviewing the forward plan to assess what would be presented at the February, March and May meetings respectively.

Members discussed having a contingency plan, should the 2021/22 Accounts not be ready for the November meeting and agreed to seek an early indication of whether this was realistic and if not, arrange a contingency date in either December or January.

**ACTION: Ms M Gibb to liaise with Mr D Skinner around Grant Thornton’s early indication of the work required to sign off the 2020/21 accounts.**

The Chairman suggested that the Constitution should be added to the items for the February meeting.

**RESOLVED:**

**That the latest Work Programme be noted.**

**12 ACTION LOG**

The Committee considered the latest action log as attached to the agenda pack and agreed that Action 4 – Treasury Management Member Refresh, had been completed. In addition, Action 1 – Business Continuity Management, had now been completed.

Action 5 – Draft Annual Governance Statement, would remain ongoing whilst revisions were made to the draft, prior to it being presented at the next Committee meeting in November.

**RESOLVED:**

**That the action log be noted.**

**13 EXCLUSION OF THE PUBLIC**

**RESOLVED:**

**That pursuant to Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting during consideration of Minutes No 14, 15, 16 and 17, on the grounds that they involved the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act as defined as follows:**

**Minute 14 – Confidential Minutes of the Audit and Governance Committee held on 28 July 2022**

**Minute 15 – Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report 2022/23**

**Minute 16 – Annual Report of the Chief Internal Auditor – Summary of Completed Audits and Audit Action Tracker 2021/22**

**Minute 17 – Action Log (confidential)**

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).

**14 CONFIDENTIAL MINUTES**

**RESOLVED:**

That the confidential minutes of the meeting held on 28 July 2022 be approved as a correct record.

**15 BUSINESS ASSURANCE STRATEGY UPDATE: COMPLETED AUDITS AND AUDIT ACTIONS SUMMARY REPORT 2022/23**

This item was not required.

**16 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR - SUMMARY OF COMPLETED AUDITS AND AUDIT ACTION TRACKER 2021/22**

The Committee considered the confidential Annual report of the Chief Auditor which provided an overview of the internal audits that had been completed and detailed the progress against the audit management actions by each directorate.

**RESOLVED:**

**That the report be noted.**

**17 ACTION LOG (CONFIDENTIAL)**

The Committee considered the confidential action log and

**RESOLVED:**

**That the current Action Log (confidential) be noted.**



## Report to Audit and Governance Committee

**Date:** 23<sup>rd</sup> November 2022

**Reference number:**

**Title:** Statement of Accounts Update

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

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

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

**Recommendations:**

- (i) The Committee are requested to note the update on 2020/21 and 2021/22 Statement of Accounts at paragraphs 1.3 to 1.5 and 1.6 respectively.
- (ii) Consider the management response to the auditors on Audit Risk Assessment attached at Appendix A and make any comments.

**Reason for decision:** Not applicable

### Executive summary

1.1 This report provides the Committee with an update on the 2020/21 Statement of Accounts and 2021/22 Statement of Accounts.

1.2 Provides an opportunity to the Committee to consider and make comments on the management response to the Audit Risk Assessment attached at Appendix A.

### 2020/21 Statement of Accounts Update

1.3 The revised reconciled and completed Statement of Accounts were submitted to the auditors on 23<sup>rd</sup> September 2022. Due to reduction in Gross Expenditure on the Comprehensive Income and Expenditure Account (CIES) the audit materiality has decreased which has resulted into additional sample testing.

1.4 The external auditors have resumed their audit from 1<sup>st</sup> November 2022. Officers are working to resolve the audit queries promptly along with regular bi-weekly meetings with auditors to monitor the progress.

1.5 Due to additional sampling, it is anticipated that the audit will be completed in January 2023 and will be presented to the Audit Committee for approval at its February meeting.

## **2021/22 Statement of Accounts Update**

1.6 Work continues to progress on 2021/22 Accounts draft accounts ensuring all the issues raised by the auditor on 2020/21 accounts are addressed. However, the accounts will not be finalised until the audit for 2020/21 is completed as this could potentially have an impact on the opening figures.

## **Audit Risk Assessment Report**

1.7 The purpose of this report is to contribute toward the effective two-way communication between the auditor and the Audit and Governance Committee to ensure compliance with the International Standards on Auditing.

1.8 The report covers areas of auditor risk assessment along with management response. Consideration of management response by the Committee will aid in fulfilling its responsibilities in relation to the financial reporting process.

1.9 The report is attached at Appendix A

## **Other options considered**

1.10 Not applicable

## **Legal and financial implications**

1.11 Not directly related to this report.

## **Corporate implications**

1.12 Not applicable

## **Consultation and communication**

1.13 Not applicable

## **Next steps and review**

1.14 Not applicable



## **Background papers**

1.15 Not applicable

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# Informing the audit risk assessment for Buckinghamshire Council 2020/21

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Name  
Shiyu.Lu@uk.gt.com

Appendix A

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

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Buckinghamshire Council's external auditors and Buckinghamshire Council's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Buckinghamshire Council's Audit and Governance Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Buckinghamshire Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Buckinghamshire Council's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

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Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	Two main key events : First year of operation for the New Council and Covid-19
2. Have you considered the appropriateness of the accounting policies adopted by Buckinghamshire Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	The accounting policies were reviewed for appropriateness for the new council and considered by the Audit and Governance Committee in March 21.
3. Is there any use of financial instruments, including derivatives?	Yes there are financial instruments (no derivatives) such as loan to wholly owned company, treasury investments in money market funds and property pooled funds. Borrowing to fund our Capital Programme
4. Are you aware of any significant transaction outside the normal course of business?	All the transactions relating to Covid 19 are outside the normal course of business



# General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	The impact of Covid-19 on the economy and financial markets has been considered when valuing assets
6. Are you aware of any guarantee contracts?	None
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	None
8. Other than in house solicitors, can you provide details of those solicitors utilised by Buckinghamshire Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Constantine Cannon Solicitors (Truck Cartel) Sharpe Pritchard LLP (FCC Environment Dispute) Shakespeare Martineau (Red Kite Asbestos)

# General Enquiries of Management

Question	Management response
9. Have any of the Buckinghamshire Council service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council engaged with a wide range of advisors through the year. For example Carter Jonas – Property Valuation, Arlingclose – Treasury, Barnett Waddingham – Actuaries, PSTax for VAT advice, etc.

# Fraud

## Issue

### Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Committee and management. Management, with the oversight of the Audit and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Buckinghamshire Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Buckinghamshire Council's management.

# Fraud risk assessment

Question	Management response
<p>1. Have Buckinghamshire Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Buckinghamshire Council's risk management processes link to financial reporting?</p>	<p>Yes.</p> <p>A robust risk management framework is in place and embedded across the organisation with each directorate owning a tailored risk escalation framework. Risks are reported to Boards on a monthly basis, and the strategic risks are reported to CMT and Risk Management Group on a regular basis. Fraud risks are also considered as part of the internal audit planning work, and the fraud risk register informs the pro-active counter fraud plan.</p> <p>Key financial risks are identified and managed by each of the Heads of Finance, and are considered as part of the MTFP and budget monitoring processes.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Inherent risks within procurement, payments, council tax, housing benefits, housing tenancy, cyber crime, planning</p>

# Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Buckinghamshire Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Yes, a number of investigations have been completed and others are ongoing.</p> <p>Reporting to directorate boards, Corporate Management Team (CMT), Risk Management Group and Audit &amp; Governance Committee on a regular basis on key risks, fraud risks and internal audit activity.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Buckinghamshire Council's where fraud is more likely to occur?</p>	<p>Yes, we maintain a Fraud Risk Register where a number of specific fraud risks are identified along with mitigating actions.</p> <p>Yes, as noted in Q2, a number of areas are at risk of fraud, however controls are in place in mitigate the risk, and we regularly deliver fraud awareness messages/training to remind officers to be vigilant.</p> <p>Specific higher risk locations have not been identified.</p>
<p>5. What processes do Buckinghamshire Council have in place to identify and respond to risks of fraud?</p>	<p>The Anti-Fraud and Corruption Strategy is in place, as well as the Whistleblowing Policy with a confidential reporting phone line and email address for referrals.</p> <p>A Fraud Response Plan outlines the process for responding to the risks of fraud.</p> <p>A dedicated Investigations Team is in place who assess fraud risks on a regular basis and respond accordingly.</p> <p>Fraud risks are also considered as part of Internal Audit planning.</p>

# Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Buckinghamshire Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>We have an internal audit plan that is based on a risk based methodology takes into account the Council's priorities, strategic, operational and financial risks, as such the audit reviews and assurance work undertaken focuses on high risk areas. This work includes assessing the key financial systems and evaluating the controls in place, including segregation of duties. Due to Covid and Unitary, key financial assurance reviews have been conducted to highlight where internal controls may not be operating effectively within finance. Mitigation actions were provided for all control weaknesses identified and follow-up assurance work planned to ensure that actions have been embedded and are operating effectively. The internal controls have largely remained the same as these were embedded as part of the SAP processes that were already established.</p> <p>With regard to the controls to prevent, detect and deter fraud, we work closely with the fraud team to ensure that awareness sessions are presented to services. Audit engagements have no limitations therefore the scope of the review considers risk of fraud.</p> <p>From the work undertaken by Internal Audit we have found no areas that controls are/ can be overridden or evidence of inappropriate influence over the financial reporting process. All financial reports viewed as part of the audit work included scrutiny and reference to source data.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>Controls in place should mitigate any risk of misreporting</p>

# Fraud risk assessment

Question	Management response
<p>8. How do Buckinghamshire Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Staff Code of Conduct, Anti-Fraud and Corruption Strategy, Financial Procedure Rules, Contract Procedure Rules and IT policies in place which clearly state the expected behaviours and business processes for staff and contractors.</p> <p>A Whistleblowing Policy is in place with confidential reporting email address and phone line. This is published on the intranet.</p> <p>Staff are expected to raise any concerns relating to fraud or irregularities, we have a zero tolerance to fraud.</p> <p>We have had reports of procurement issues, contract management issues, school thefts, bullying and harassment concerns reported through the Whistleblowing process.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts with ability to make payments</p> <p>Payroll posts</p> <p>Treasury Management</p> <p>Risks are identified and assessed through embedded risk management process. Key controls are in place and audited on regular basis to ensure risks are managed. Scheme of delegation and workflow controls embedded in SAP. Specific SAP roles only given to appropriate posts.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Code of Conducts in place for employees and members, and process for declarations of interest in place and audited.</p>

# Fraud risk assessment

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Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>An update on fraud investigations is presented to the Statutory Officers meeting on a monthly basis, and a summary reported to Audit &amp; Governance Committee meetings. A full report summarising all cases investigated during 2020/21 will be reported to the first meeting of Audit &amp; Governance Committee in 2021/22.</p> <p>The Audit and Governance Committee, through the Risk Management Group have regular oversight of the fraud risk register and mitigating actions. This year, due to the Covid-19 pandemic, a significant focus has been on the payment of business grants.</p> <p>A Business Assurance Strategy Update is reported to each of the Audit and Governance Committee meetings which includes a summary of the counter fraud activity.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Yes, the Whistleblowing process receives regular complaints, all of which are risk assessed and investigated if appropriate.</p> <p>We are in the process of implementing a new case management system, Clue, which will allow full management reporting and better oversight of cases. This system is very much needed given the size of the new Unitary authority.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>



# Law and regulations

## Issue

### Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that Buckinghamshire Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

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Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Buckinghamshire Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Buckinghamshire Council's regulatory environment that may have a significant impact on the Buckinghamshire Council's financial statements?</p> <p>2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Each report to CMT require sign off from the Monitoring Officer (MO) and requires the in-house legal team to have articulated the legal implications of the report – including reference to any relevant laws &amp; regulations.</p> <p>Legal officers are aware that if they are alerted to any Directorate non-compliance then they need to raise this with the Director of Legal &amp; Democratic Services and/or the MO.</p> <p>The Council has in place a comprehensive whistle-blowing policy..</p> <p>No.</p> <p>Areas of non-compliance if they were significant/serious are escalated to the Risk Management Group. Audit Committee receives regular reporting assurance frameworks and compliance with key corporate controls.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Appropriate provisions have been made for all the potential litigation or claims</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does Buckinghamshire Council have in place to identify, evaluate and account for litigation or claims?	Legal Services has a detailed risk register which identifies and evaluates the most high-risk cases based on the council's risk criteria.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

# Related Parties

## Issue

### Matters in relation to Related Parties

Buckinghamshire Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Buckinghamshire Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Buckinghamshire Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Buckinghamshire Council, or of any entity that is a related party of the Buckinghamshire Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Buckinghamshire Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Buckinghamshire Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Buckinghamshire Council whether Buckinghamshire Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>Not applicable as this is the first year for the Council preparing statement of accounts</p>
<p>2. What controls does Buckinghamshire Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A review of related party transactions and disclosure requirements forms part of the year end work to complete the accounts. For this Members and Senior Officers declarations, register of interest are key data that supports the audit working papers.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Any significant transactions and arrangements with related parties outside of the budgetary framework would require approval in line with the Constitution and Financial Regulations.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Any significant transactions outside of the normal course of business would be outside of the budgetary framework and therefore would require approval in line with the Constitution and Financial Regulations.</p>

# Accounting estimates

## Issue

### Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Valuation of fixed assets Pension Liability and investments IAS19 Appeals Provision Impairment Allowances
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Management considers assumptions made, availability of comparable data and materiality to identify and address risks relating to accounting estimates
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	For valuation of fixed assets and pensions , council uses specialist advice who complies with their respective professional standards, financial reporting standards and CIPFA code in their approach and assumptions.  Appeals provision is based on Analyse Local data and impairment allowances is based on type of debt, type of customer, stages of collection and also current economic climate
4. How do management review the outcomes of previous accounting estimates?	New Council so no previous outcomes to review. Going forward, the actual will be monitored against the accounting estimates
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	Not applicable as new council

# Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Materiality, complexity and professional knowledge and experience required for accounting estimates. The Accounts are prepared by professionally qualified accountants with experience and who are required to ensure that the Continuous Professional Development and training requirements are maintained.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>Where specialist skills are required the contracting arrangements set out the assumptions, control activities and the format of the outputs required to enable an effective review and challenge process.</p> <p>Where controls are system driven then these are documented and reviewed for appropriateness, with management oversight providing a separate professional view and challenge that the controls have been actioned appropriately and therefore reliance can be placed on the figures</p>
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	<p>Engagement letter, firms registered with professional institutions and compliance with their standards, professionally qualified officers.</p> <p>We document the review and challenge oversight by senior management or experienced officers. This includes discussions with experts to understand the processes they have used and the reliability of the results.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Compliance with relevant financial reporting standards, review and challenge, engagement letters where professional advisors are used. Additionally we</p> <ul style="list-style-type: none"> <li>• Agree assumptions in advance, including their appropriateness</li> <li>• Verify underlying data in advance</li> <li>• Evaluate the appropriateness of the methodology to be used to determine the value of estimates</li> <li>• Review and challenge the results for reasonableness, including comparative analysis with previous year</li> <li>• Perform sensitivity of the results to the key assumptions to assess materiality</li> <li>• Senior management sign-off of the outcomes of the quality assurance process</li> </ul>



## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, we believe the arrangements are reasonable as we quantify the financial impact of estimation and uncertainty.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Quantification of financial impact of estimation and uncertainty, Compliance with reporting standards, CIPFA code and where appropriate use of professional advisors

## Appendix A Accounting Estimates

**Note: this appendix must be included unless Those Charged with Governance consider the PSA significant judgements and estimates management response for each material estimate**

Estimate (Examples)	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Depreciated Replacement Cost, Market Value, Economic Use Value	Current Value (Depreciated Replacement Cost (DRC)) in accordance with UK VPGA 1.5	Yes – Carter Jonas	n/a	No
Investment property valuations	Fair Value and Market Value	Fair Value (as defined under IFRS 13)	Yes – Carter Jonas	n/a	No
Depreciation	Remaining Useful Life of the Asset	Condition and age of the asset	Yes – Carter Jonas	Useful lives are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual asset	No

## Appendix A Accounting Estimates

Estimate [Examples]	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	In compliance with IAS19 Projected Unit Method	Roll forward of the value for the funding valuation as at March 1 and assumptions in compliance with IAS19	Yes	n/a	No
Level 2 investments	Inputs other than quoted prices that are observable for the assets	Market data	Yes	n/a	No
Level 3 investments	Unobservable inputs	Professional experience	Yes	n/a	No
Fair value estimates	Maximise use of observable inputs and minimise the use of unobservable inputs	Market data	Yes	n/a	No

## Appendix A Accounting Estimates

Estimate [Examples]	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions - Appeals	Analyse Local data used to estimate	Past experience	No	n/a	No
Accruals	Works done/ service received and actual invoice	Budget Monitoring and cut off	No	n/a	No
Credit loss and impairment allowances	Type of debt, type of customer, Age analysis, various stage in Debt collection process	Past experience and economic climate	No	The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	Net Present Value	Lease agreement	No	n/a	No



# Grant Thornton

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[grantthornton.co.uk](https://grantthornton.co.uk)

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## Report to Audit and Governance Committee

**Date:** 23<sup>rd</sup> November 2022

**Reference number:** N/A

**Title:** Draft Pension Fund Accounts to 31<sup>st</sup> March 2022

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

**Author and/or contact officer:** Julie Edwards, Pensions and Investments Manager

**Ward(s) affected:** none specific

**Recommendations:** The Committee is asked to review the Draft Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31st March 2022 and to note the timing and requirements for completion and authorisation of the final Statement of Accounts.

### Executive Summary

1.1 The draft unaudited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2022 is attached as Appendix 1. The Pension Fund Account and Net Asset Statement show that in the year to 31<sup>st</sup> March 2022 the value of the Pension Fund increased by £275m to £3.913bn.

### Content of report

- 1.2 The draft unaudited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2022 is attached as Appendix 1. The audit of the pension fund draft accounts will commence shortly. A further report, incorporating the findings of Grant Thornton will be brought to this Committee at a future meeting; representatives from Grant Thornton will attend this meeting.
- 1.3 The finalised Statement of Accounts will be approved by the Chairman of the Audit and Governance Committee and the Section 151 Officer following the audit and consideration of the auditor's report at the Audit and Governance Committee.

- 1.4 The Pension Fund Account and Net Asset Statement show that in the year to 31<sup>st</sup> March 2022 the value of the Pension Fund increased by £275m to £3.913bn. This is the net result of the contributions made (£169m) including transfers in from other pension schemes, employers' and employees' contributions; payments out £144m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £17m plus net returns on investments (£267m).
- 1.5 The table below summarises the income, expenditure and returns on investments for the financial years 2020/21 and 2021/22.

<b>31 March 2021</b> <b>£000</b>		<b>31 March 2022</b> <b>£000</b>
<b>(2,913,700)</b>	<b>Value 1st April</b>	<b>(3,638,265)</b>
(176,790)	Income	(168,903)
121,280	Benefits	127,601
18,959	Payments to and on Account of Leavers	16,708
18,371	Management expenses	17,136
(706,385)	Returns on Investments	(267,447)
<b>(3,638,265)</b>	<b>Value 31st March</b>	<b>(3,913,170)</b>

### Other options considered

- 1.6 Not applicable.

### Legal and financial implications

- 1.7 There are none arising directly from this report.

### Corporate implications

- 1.8 Not applicable.

### Consultation and communication

- 1.9 Not applicable.

### Background papers

None.



# Buckinghamshire Pension Fund

## Statement of Accounts

For the year ended 31 March 2022

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## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required to:

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

### The Service Director of Finance Responsibilities

The Service Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

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

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

### Certificate of the Service Director of Finance

I certify that this Statement of Accounts for the year ended 31 March 2022 gives a true and fair view of the financial position of the Pension Fund as at 31 March 2022 and its income and expenditure for the year ending 31 March 2022

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

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

## Pension Fund Accounts

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

<b>31 March 2021</b>	<b>Pension Fund Account</b>	<b>Note</b>	<b>31 March 2022</b>
<b>£000</b>			<b>£000</b>
	<b>Dealings with Members, Employers and Others directly Involved in the Fund</b>		
	<b>Income</b>		
(152,299)	Contributions	3	(152,275)
(24,293)	Transfers in from other pension funds	4	(16,524)
(198)	Other income		(104)
<b>(176,790)</b>			<b>(168,903)</b>
	<b>Benefits</b>	5	
100,311	Pensions		103,893
20,969	Commutation of pensions and lump sums		23,708
	<b>Payments to and on Account of Leavers</b>	6	
590	Refunds of contributions		521
18,369	Transfers out to other pension funds		16,187
<b>140,239</b>			<b>144,309</b>
<b>(36,551)</b>	<b>Net (Additions)/Withdrawals from Dealings with Members</b>		<b>(24,594)</b>
<b>18,371</b>	<b>Management expenses</b>	7	<b>17,136</b>
<b>(18,180)</b>	<b>Net (Additions)/Withdrawals including Fund Management Expenses</b>		<b>(7,458)</b>
	<b>Returns on Investments</b>		
(23,079)	Investment income	8	(14,719)
(683,306)	Profits and losses on disposal of investments and changes in the market value of investments	9	(252,728)
<b>(706,385)</b>	<b>Net Returns on Investments</b>		<b>(267,447)</b>
<b>(724,565)</b>	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>(274,905)</b>

## Net assets statement

31 March 2021	Net Assets Statement	Note	31 March 2022
£000			£000
	<b>Investments</b>		
840	Long term investments		840
25,638	Equities - quoted		295
480,116	Bonds		0
2,858,278	Pooled investment vehicles		3,525,017
213,051	Property - unit trusts		243,766
43,662	Cash deposits		132,073
7,124	Investment income receivable		391
<b>3,628,709</b>	<b>Net Investments</b>	11	<b>3,902,382</b>
<b>17,620</b>	Current assets	15	<b>15,234</b>
<b>(8,064)</b>	Current liabilities	15	<b>(4,446)</b>
<b>3,638,265</b>	<b>Net Assets of the Fund Available to Fund Benefits at 31 March</b>		<b>3,913,170</b>

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

## Note 1 - Description of the Fund

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

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

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

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

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

In 2015 the Government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Brunel Pension Partnership Ltd was formed to implement the investment strategies for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The company Brunel Pension Partnership Ltd was formed on 14 October 2016. By 31 March 2022 the collective assets transitioned to Brunel portfolios were circa £30.6 billion.

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

The following summarises the membership of the Fund:

<b>Membership of the Fund</b>	<b>31 March 2021</b>	<b>31 March 2022</b>
Contributors	25,406	25,717
Pensioners	21,017	21,982
Deferred pensioners	30,881	32,234
<b>Total Membership of the Fund</b>	<b>77,304</b>	<b>79,933</b>

### Investment strategy statement

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

[Investment strategy statement | Buckinghamshire Council \(buckscc.gov.uk\)](#)

### Further Information

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

[Pension fund annual reports | Buckinghamshire Council \(buckscc.gov.uk\)](#)

### Basis of Preparation

The accounts summarise the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 18 of these accounts. The Pension Fund is administered by Buckinghamshire Council.



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

### **Accounting Policies**

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

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

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

#### **Contribution Income**

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

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

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

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

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

#### **Investment Income**

Investment income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as investment income. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or

origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

### **Benefits Payable**

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

### **Management Expenses**

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

### **Financial Instruments**

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

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

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

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

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

### **Foreign Currency Transactions**

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

**Cash and Cash Equivalents**

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

**Contingent Assets & Liabilities and Commitments**

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

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

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

**Actuarial Present Value of Promised Retirement Benefits**

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

**Critical Judgements in Applying Accounting Policies****Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Net Assets Statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <p>A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £128m.</p> <p>A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £9m.</p> <p>A one-year increase in assumed life expectancy would increase the liability by approximately £253m.</p>

### Events After the Reporting Date

There have been no events since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts

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

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

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

### Note 3 - Contributions

Contributions relating to wages and salaries paid up to 31 March 2022 have been included in these accounts, there were no augmented employers' contributions received during 2020/2021 or 2021/22.

<b>2020/2021 £000</b>	<b>Contributions by Category</b>	<b>2021/2022 £000</b>
	<b>Employers' Contributions</b>	
(100,383)	Normal Contributions	(100,789)
(17,121)	Deficit Recovery Contributions	(16,337)
<b>(117,504)</b>	<b>Total Employers' Contributions</b>	<b>(117,126)</b>
<b>(34,795)</b>	<b>Members' Contributions</b>	<b>(35,149)</b>
<b>(152,299)</b>	<b>Total Contributions</b>	<b>(152,275)</b>

<b>2020/2021 £000</b>	<b>Contributions by Authority</b>	<b>2021/2022 £000</b>
(56,847)	Administering authority	(60,766)
(91,855)	Scheduled bodies	(88,048)
(3,597)	Admitted bodies	(3,461)
<b>(152,299)</b>	<b>Total Contributions</b>	<b>(152,275)</b>

### Note 4 - Transfer Values

<b>2020/2021 £000</b>	<b>Transfers in from other pension funds</b>	<b>2021/2022 £000</b>
(1,898)	Group transfers	(167)
(22,395)	Individual transfers	(16,357)
<b>(24,293)</b>	<b>Total Transfers in from other pension funds</b>	<b>(16,524)</b>

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2022 there were twenty-three outstanding transfer values receivable greater than £50k, for which £2.899m had not been received. (On 31 March 2021 there were six outstanding transfer values receivable greater than £50k, for which £763k had not been received).

On 31 March 2022 there were no group transfers to the Fund being negotiated with other funds (two on the 31 March 2021).

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

**Note 5 - Benefits**

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

<b>2020/2021 £000</b>	<b>Benefits Payable by Category</b>	<b>2021/2022 £000</b>
100,311	Pensions	103,893
18,220	Commutations of pensions and lump sum retirement benefits	20,223
2,749	Lump sum death benefits	3,485
<b>121,280</b>	<b>Total Benefits</b>	<b>127,601</b>

<b>2020/2021 £000</b>	<b>Benefits Payable by Authority</b>	<b>2021/2022 £000</b>
61,253	Administering authority	63,467
50,560	Scheduled bodies	53,877
9,467	Admitted bodies	10,257
<b>121,280</b>	<b>Total Benefits</b>	<b>127,601</b>

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

<b>2020/2021 £000</b>	<b>Payments to and on Account of Leavers</b>	<b>2021/2022 £000</b>
590	Refunds to members leaving service	521
5,379	Group transfers to other pension funds	62
12,990	Individual transfers to other pension funds	16,125
<b>18,959</b>	<b>Total Payments to and on Account of Leavers</b>	<b>16,708</b>

The individual transfer value to other Pension Funds relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2022 there were eleven outstanding transfer value where the amount was greater than £50k, for which £800k had not yet been paid (on 31 March 2021 there was one outstanding transfer values receivable greater than £50k, for which £78k had not been received).

On 31 March 2022 there was one group transfer out from the Fund to other Pension Funds being negotiated (4 on the 31 March 2021), the value of the transfer £2,556k has been accrued.

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

## Note 7 - Management Expenses

2020/2021	Management Expenses	2021/2022
£000		£000
2,226	Administrative costs	2,397
15,507	Investment management expenses	14,008
638	Oversight and governance costs	731
<b>18,371</b>	<b>Total Management Expenses</b>	<b>17,136</b>

The analysis of the cost of managing the Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight/governance costs. Included in the oversight and governance costs are the external audit main fee, £38k in 2021/2022 (£38k in 2020/2021).

Investment management fees are calculated according to the specific mandate and the associated contract. Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £1.070m (£0.28m in the 2020/2021 financial year) in respect of performance related fees payable to the Fund's investment managers. It also includes £363k in respect of transaction costs (£4.734m in the 2020/2021 financial year).

## Note 8 - Investment Income

Investment income from bonds has significantly decreased in 2021/22 following the transition of the Fund's segregated bond holdings to Brunel pooled funds, dividend income is accumulated within the fund and is accounted for in the market value change rather than investment income.

2020/2021	Investment Income	2021/2022
£000		£000
(1,258)	Dividends from equities	746
(14,242)	Income from bonds	(4,216)
(536)	Income from pooled investments	(2,695)
(5,549)	Income from property unit trusts	(8,330)
(1,352)	Interest on cash deposits	(215)
(142)	Other	(9)
<b>(23,079)</b>	<b>Total Investment Income</b>	<b>(14,719)</b>

## Note 9 - Investments

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

During 2021/2022 realised profit of £322.401m and unrealised losses of £69.289m combined to report a increase in the market value of investments of £253.112m.

<b>Investments (All values are shown £000)</b>	<b>Value at 31 March 2021 £000</b>	<b>Purchases at Cost £000</b>	<b>Sales Proceeds £000</b>	<b>Realised Profit/ (Loss) £000</b>	<b>Unrealised Profit/ (Loss) £000</b>	<b>Value at 31 March 2022 £000</b>
Long term investments	840	0	0	0	0	840
Equities - quoted	25,638	396	(25,522)	(1,135)	918	295
Bonds	480,116	648,626	(1,153,323)	47,030	(22,449)	0
Pooled investment vehicles	2,858,278	1,170,462	(689,806)	273,977	(87,894)	3,525,017
Property - unit trusts	213,051	28,203	(41,838)	4,693	39,657	243,766
Derivative contracts	0	2,480	(419)	(2,061)	0	0
Cash deposits	43,662	0	88,036	(103)	479	132,073
	<b>3,621,585</b>	<b>1,850,167</b>	<b>(1,822,872)</b>	<b>322,401</b>	<b>(69,289)</b>	<b>3,901,991</b>
Investment income due	7,124					391
	<b>3,628,709</b>					<b>3,902,382</b>



During 2020/2021 realised profit of £103.918m and unrealised profit of £579.388m combined to report an increase in the market value of investments of £683.306m.

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

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

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

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

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

## Note 10 - Investment Management Arrangements

The following table summarises the proportion of the Fund managed by Brunel Pension Partnership limited and the Fund, assets which exceed 5% of the total value of the net assets of the Fund are shown, 2% of the Fund is currently held as cash:

<b>Fund Manager/Mandate</b>	<b>Proportion of Fund 31 March 2021 £000</b>	<b>%</b>	<b>Proportion of Fund 31 March 2022 £000</b>	<b>%</b>
<b>Investments managed by Brunel</b>				
Low Volatility Equity	159,691	4	288,918	8
Passive Developed Equity	841,815	23	670,843	18
Emerging Markets Equity	197,734	6	175,087	5
Global High Alpha Equity	602,912	17	628,127	16
Smaller Companies Equity	180,831	5	184,846	5
Multi-Asset Credit	0	0	359,637	10
Passive Index Linked Gilts	0	0	386,603	10
Infrastructure	43,783	1	113,362	3
Private Debt	0	0	22,664	0
Private Equity	22,444	1	66,183	2
Property – unit trusts	222,602	6	243,766	6
Sterling Corporate Bonds	0	0	399,464	9
<b>Total Investments managed by Brunel</b>	<b>2,271,812</b>		<b>3,539,500</b>	
<b>Investments managed by the Fund</b>				
LaSalle – Property unit trusts	1,114	0	0	0
BlackRock -Cash/inflation plus	160,110	4	4	0
Blackstone Alternative Asset Management - Hedge fund of funds	171,071	5	4,464	0
Investec Asset Management- Less constrained global equities	777	0	120	0
Legal & General Investment Management – Passive index-tracker	377,516	11	133,807	4
Mirabaud Investment Management Limited- UK equities	217	0	0	0
Pantheon Private Equity- Private equity	93,728	3	84,595	2
Partners Group- Private equity	13,177	0	10,880	0
Royal London Asset Management- Core plus bonds	511,010	14	919	0
Schroders- Less constrained global equities	2305	0	1,820	0
Aberdeen Standard Investments – Less constrained UK equities	134	0	127	0
GTP	698	0	377	0
Hg Capital	581	0	1,033	0
<b>Total Investments managed by the Fund</b>	<b>1,332,438</b>		<b>238,146</b>	
<b>Total</b>	<b>3,604,250</b>	<b>100</b>	<b>3,777,646</b>	<b>98</b>

## Note 11 - Analysis of the Value of Investments

31 March 2021 £000	Analysis of the Value of Investments	31 March 2022 £000
<b>840</b>	<b>Long Term Investments</b>	<b>840</b>
	<b>Bonds</b>	
	<b>Fixed Interest Securities</b>	
5,992	Overseas public sector	0
307,521	UK other	0
73,455	Overseas other	0
<b>386,968</b>	<b>Total Fixed Interest Securities</b>	<b>0</b>
	<b>Index-Linked Gilts</b>	
85,851	UK Index-linked gilts public sector	0
7,297	UK Index-linked gilts other	0
<b>93,148</b>	<b>Total Index-Linked Gilts</b>	<b>0</b>
<b>480,116</b>	<b>Total Bonds</b>	<b>0</b>
	<b>Equities</b>	
150	UK quoted	141
25,488	Overseas quoted	154
<b>25,638</b>	<b>Total Equities</b>	<b>295</b>
	<b>Pooled Investment Vehicles</b>	
377,516	UK Bonds	0
1,982,983	Overseas Equity	1,947,821
160,106	Overseas Diversified Growth Fund (GBP)	0
171,071	Overseas Hedge Fund of Funds (GBP)	0
44,837	Overseas Infrastructure	117,519
0	Fixed Interest Securities	533,271
0	Index linked gilts	386,603
0	Multi-Asset Credit	359,637
0	Overseas Private Debt	22,664
121,765	Overseas Private Equity	157,502
<b>2,858,278</b>	<b>Total Pooled Investment vehicles</b>	<b>3,525,017</b>
	<b>Other</b>	
213,051	Property - unit trusts	243,766
43,662	Cash deposits – sterling and foreign cash	132,073
7,124	Investment Income receivable	391

263,837	Total Other	376,230
3,628,709	Total Value of Investments	3,902,382

## Note 12 - Financial Instruments

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

31 March 2021				31 March 2022		
Fair value through profit and loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Financial Assets	Fair value through profit and loss	Financial Assets at Amortised Cost	Financial Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
<b>840</b>			<b>Long Term Investments</b>	<b>840</b>		
386,968			Fixed Interest Securities	0		
25,638			Equities	295		
93,149			Index Linked gilts	0		
213,051			Property – unit trusts	243,766		
			<b>Pooled investments:</b>			
377,516			Fixed interest securities	533,271		
1,982,983			Equities	1,947,821		
171,071			Hedge Funds of Funds	0		
160,106			Diversified Growth Fund	0		
0			Index Linked Gilts	386,603		
44,837			Infrastructure	117,519		
0			Multi-Asset Credit	359,637		
0			Private Debt	22,664		
121,765			Private Equity	157,502		
7,124			Investment Income receivable	391		
29,682	13,980		Cash deposits	111,285	20,788	
	4,814		Current assets		5,214	
<b>3,614,730</b>	<b>18,794</b>			<b>3,881,594</b>	<b>26,002</b>	
			<b>Financial Liabilities</b>			
		(6,920)	Current liabilities			(3,247)
		<b>(6,920)</b>				<b>(3,247)</b>
<b>3,614,730</b>	<b>18,794</b>	<b>(6,920)</b>	<b>Total</b>	<b>3,881,594</b>	<b>26,002</b>	<b>(3,247)</b>
		<b>3,626,604</b>				<b>3,904,349</b>

<b>31 March 2021 £000</b>	<b>Reconciliation to Net Assets of the Fund Available to Fund Benefits at 31 March in the Net Assets Statement</b>	<b>31 March 2022 £000</b>
3,638,265	Net Investments	3,913,170
(12,805)	Less contributions due current assets	(10,020)
1,144	Add HMRC current liabilities	1,199
<b>3,626,604</b>	<b>Valuation of Financial Instruments carried at fair value</b>	<b>3,904,349</b>

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

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
	<b>Financial Assets</b>	
(683,306)	Fair value through profit and loss	(253,112)
0	Financial Assets measured at amortised cost	0
0	Financial liabilities measured at amortised cost	0
	<b>Financial Liabilities</b>	
0	Fair value through profit and loss	0
0	Financial Assets measured at amortised cost	0
0	Financial liabilities measured at amortised cost	0
<b>(683,306)</b>	<b>Total</b>	<b>(253,112)</b>

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

### Valuation of Financial Instruments Carried at Fair Value

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

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

**Level 2:** Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are

used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Fixed interest securities are traded in an active market and evaluated prices sourced from a valid pricing vendor. The values of the hedge fund of funds are based on the net asset value provided by the Fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

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

<b>Value at 31 March 2022</b>	<b>Quoted Market Price Level 1 £000</b>	<b>Using Observable Inputs Level 2 £000</b>	<b>With Significant Unobservable Outputs Level 3 £000</b>	<b>Total £000</b>
Long term investments	0	0	840	840
Equities	295	0	0	295
Fixed interest securities	0	533,271	0	533,271
Index-linked gilts	0	386,603	0	386,603
Equities	0	1,947,821	0	1,947,821
Infrastructure	0	0	117,519	117,519
Multi-Asset Credit	0	359,637	0	359,637
Private Debt	0	0	22,664	22,664
Private Equity	0	0	157,502	157,502
Property – unit trusts	0	241,830	1,936	243,766
Cash Instruments	0	111,285	0	111,285
<b>Total</b>	<b>295</b>	<b>3,580,447</b>	<b>300,461</b>	<b>3,881,203</b>

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

<b>Reconciliation to Net Investments in the 31 March 2022 Net Assets Statement</b>	<b>31 March 2022 £000</b>
Net Investments	3,902,382
Less Cash deposits	(20,788)
Less investment income receivable	(391)
<b>Valuation of Financial Instruments carried at fair value</b>	<b>3,881,203</b>

<b>Value at 31 March 2021</b>	<b>Quoted Market Price Level 1 £000</b>	<b>Using Observable Inputs Level 2 £000</b>	<b>With Significant Unobservable Outputs Level 3 £000</b>	<b>Total £000</b>
Long term investments	0	0	840	840
Equities	326	25,315	0	25,641
Fixed interest securities	0	386,968	0	386,968
Index-linked gilts	0	93,149	0	93,149
Equities	0	1,982,983	0	1,982,983
Bonds	0	377,516	0	377,516
Diversified Growth Fund	0	160,106	0	160,106
Hedge fund of funds	0	171,071	0	171,071
Infrastructure	0	0	44,837	44,837
Private Equity	0	0	121,762	121,762
Property – unit trusts	0	213,026	25	213,051
Cash Instruments	0	29,682	0	29,682
<b>Total</b>	<b>326</b>	<b>3,439,816</b>	<b>167,464</b>	<b>3,607,605</b>

<b>Reconciliation to Net Investments in the 31 March 2021 Net Assets Statement</b>	<b>£000</b>
Net investments	3,628,709
Less Cash deposits	(13,980)
Less investment income receivable	(7,124)
<b>Valuation of Financial Instruments carried at fair value</b>	<b>3,607,605</b>

### Sensitivity Analysis of Assets Valued at Level 3



Using Mercer's analysis of market volatility for individual asset classes in the last 20 years and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

	Assessed valuation range (+/-)	Value at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Infrastructure	17.1%	117,519	137,615	97,423
Private Debt	15.7%	22,664	26,222	19,106
Private Equity	26.3%	157,502	198,925	116,079
Property – unit trusts	17.3%	1,936	2,271	1,601
<b>Total</b>		<b>299,621</b>	<b>365,033</b>	<b>234,209</b>

	Assessed valuation range (+/-)	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Infrastructure	16.6%	44,837	52,280	37,394
Private equity	25.8%	121,765	153,180	90,350
<b>Total</b>		<b>166,602</b>	<b>205,460</b>	<b>127,744</b>

### Reconciliation of Fair Value Measurements Within Level 3

Investments (All values are shown £000)	Value at 31 March 2021 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/(loss) £000	Value at 31 March 2022 £000
Infrastructure	44,837	75,469	(5,064)	1,463	814	117,519
Private debt	0	22,547	0	0	117	22,664
Private equity	121,765	34,499	(38,981)	30,864	9,355	157,502
Property – unit trusts	25	1,854	0	0	57	1,936
	<b>166,627</b>	<b>134,369</b>	<b>(44,045)</b>	<b>32,327</b>	<b>10,343</b>	<b>299,621</b>

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

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

**Fixed interest securities – level 2 - Brunel £399.464m and LGIM £133.807m – total £533.271m**

**Brunel – fixed interest securities – active sterling corporate bonds**

Price of Units in each (Royal London Pooled Pension) RLPPC Fund shall be established as at each Valuation Point (close each business day) by taking the value of any securities held in that RLPPC Fund which are quoted on a recognised Stock Exchange, the amount of any cash held in or due to that RLPPC Fund which shall be valued at face value, and value of all other assets held in that RLPPC Fund determined by Royal London to be the price which would have to be paid to purchase those assets Less; All expenses and outgoings (including without limitation taxation) which are, at the Valuation Point, payable out of that RLPPC Fund.

**LGIM – fixed interest securities – passive tracker fund**

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

**Index linked gilts – level 2 - Brunel £386.603m**

The method used to value units is the same at every valuation date throughout the year, valuation point is 17:00. Valuations are normally carried out each working day. Notional acquisition costs allow for the costs of purchasing investments, such as stockbrokers' commissions, stamp duties and transaction costs. Notional realisation costs allow for the costs of selling investments such as stockbrokers' commissions, sales taxes and transaction costs. There may be some withholding taxes on some overseas investments. The current valuation methodology is to value the assets of the fund at closing mid-market or last traded values and adjust for the market spread and the aforementioned notional dealing expenses.

**Pooled equities – level 2 - Brunel – Passive Global Developed Equity £670.843m, Active Global High Alpha Equity £628.127m, Active Global Emerging Markets Equity £175.087m, Active Low Volatility Equity £288.918m and Active Smaller Companies Equity £184.846m Authorised Contractual Scheme Funds (ACS), an ACS is a type of collective investment vehicle created to hold and manage assets on behalf of a number of investors – total £1,947.821m.**

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

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

**Infrastructure – level 3 - Brunel £113.362m and Partners Group £4.157m – total £117.519m**

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

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

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

**Multi Asset Credit – level 2 – Brunel £359.637m**

Monthly valuation point for all three underlying managers, first Wednesday of each calendar month, world close. All valuations are conducted by the Alternative Investment Fund Managers (AIFM) under the rulings of the AIFM Directive. An investment which is quoted, listed or traded on or under the rules of any recognized market shall be valued at the latest available dealing price or, if unavailable or if bid and offer quotations are made, the latest available middle market quotation. The value of any investment which is not normally quoted, listed or traded on or under the rules of a recognized market, will be valued at fair value estimated with care and in good faith by the AIFM or an external third party valuer. This includes FI securities, cash deposits, loans and derivatives.

**Private Debt – level 3 - Brunel £22.664m**

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by 3rd parties for appropriateness.

**Private Equity – level 3 – Brunel £66.183m, Pantheon £84.595m and Partners Group £6.724m – Total - £157.502m**

### **Brunel – Private Equity – level 3**

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

### **Pantheon – Private Equity – level 3**

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

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

These methods are consistently applied across all investment types.

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

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

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's

due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

**Brunel - Property unit trusts – level 2 £241.830m and level 3 £1.936k – Total £243.766m**

Brunel selects managers who apply either open market values or fair value processes, open market values are in accordance with RICS valuation standards and fair value processes are driven by IPEV guidelines. Systematically Brunel ensure that both processes are annually appraised by third parties for appropriateness. There are no Material Uncertainty Clauses (MUC's) in place on any underlying valuations applicable to this portfolio.

## **Note 13 - Additional Financial Risk Management Disclosures**

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

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

### **Market Risk**

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

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

### **Market Price Risk**

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

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

### **Market Price - Sensitivity Analysis**

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. In consultation with Mercer, the Fund's investment consultant, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/2022. Assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments does

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

Asset Type	31 March 2022 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	20.6%	1,013	667
Equities	1,948,116	20.83%	2,353,845	1,542,387
Fixed interest securities	533,271	4.80%	558,868	507,674
Index linked gilts	386,603	7.90%	417,145	356,061
Overseas infrastructure	117,519	17.10%	137,615	97,423
Multi-asset credit	359,637	4.80%	376,900	342,374
Private debt	22,664	15.70%	26,222	19,106
Private equity	157,502	26.30%	198,925	116,079
Property - unit trusts	243,766	17.3%	285,938	201,594
Cash deposits	132,073	1.0%	133,394	130,752
Investment income receivable	391	20.6%	472	310
<b>Total</b>	<b>3,902,382</b>		<b>4,490,337</b>	<b>3,314,427</b>

In consultation with Mercer, the Fund's investment consultant, the Fund determined that the following movements in market price risk were reasonably possible for 2020/2021, assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments did increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows;

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

## Interest Rate Risk

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

### Interest Rate – Sensitivity Analysis

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

The following two tables show the impact that a 1% in/decrease has on the value of the assets on 31<sup>st</sup> March.

<b>31 March 2022 Exposure to interest rate risk</b>	<b>Asset Value £000</b>	<b>Impact of 1% increase £000</b>	<b>Impact of 1% decrease £000</b>
Cash and cash equivalents	135,770	135,770	135,770
Fixed interest securities	533,271	538,604	527,938
Index linked gilts	386,603	386,603	386,603
<b>Total</b>	<b>1,055,644</b>	<b>1,060,977</b>	<b>1,050,311</b>

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

The following two tables show the impact that a 1% in/decrease has on the interest receivable during the year.

<b>2021/2022 Exposure to interest rate risk</b>	<b>Interest receivable £000</b>	<b>Impact of 1% increase</b>	<b>Impact of 1% decrease</b>
Cash and cash equivalents	215	217	213
Fixed interest bonds	4,216	4,258	4,174
Index linked gilts	0	0	0
<b>Total</b>	<b>4,431</b>	<b>4,475</b>	<b>4,387</b>



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

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

### Currency Risk

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

### Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 7.56% movement in exchange rates in either direction for 31 March 2022. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 7.56% fluctuation in the currency is considered reasonable. A 7.56% weakening or strengthening of Sterling against the various currencies at 31 March 2022 would have increased or decreased the net assets by the amount shown below;

Currency Exposure by Asset Type	31 March 2022 £000	Value on increase £000	Value on decrease £000
		<b>+7.56%</b>	<b>-7.56%</b>
Equities – quoted	1,831,296	1,969,742	1,692,850
Multi Asset Credit	61,370	66,010	56,730
Infrastructure	18,369	19,758	16,980
Overseas Private Equity	158,872	170,883	146,861
Cash deposits	20,274	21,807	18,741
<b>Total</b>	<b>2,090,181</b>	<b>2,248,200</b>	<b>1,932,162</b>

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

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

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

### Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars, EUROS and the Japanese Yen, using data on currency risk of 7.69% for the US Dollar, 6.67% for the EURO and 7.56% for the Japanese Yen. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2022 would have increased or decreased the net assets by the amounts shown in the following table;

Asset Type	31 March 2022 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	1,289,488	7.69%	1,388,650	1,190,326
EUROS	291,881	6.67%	311,349	272,413
Japanese Yen	108,807	7.56%	117,784	99,830
<b>Total</b>	<b>1,690,176</b>		<b>1,817,783</b>	<b>1,562,569</b>

Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2021 would have increased or decreased the net assets by the amounts shown in the following table;

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

## Credit Risk

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

A source of credit risk is the cash balances held internally or by managers. The Fund's bank account is held at Barclays, which holds an "A" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team on 31 March 2022 was £0.064m in an instant access Barclays account and £3.250m invested in Federated's money market fund. (On 31 March 2021 £0.976m was invested in an instant access Lloyds account and £2.000m invested in Federated's money market fund.) Cash balances forming part of the investment assets are invested with the global custodian, State Street, in a diversified money market fund rated AAAM.

## Liquidity Risk

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

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

31 March 2021 £000		31 March 2022 £000
171,071	Blackstone hedge fund of funds	0
43,783	Brunel infrastructure	113,362
0	Brunel private debt	22,664
22,444	Brunel private equity	66,183
222,602	Brunel property unit trusts	243,766
93,728	Pantheon private equity	84,595
13,177	Partners Group private markets	10,880
581	Residual mandates	1,033
<b>567,386</b>		<b>542,483</b>

## Note 14 - Related Parties

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

The Council was reimbursed £2.70m (£2.49m in the 2020/2021 year) for oversight & governance costs and administration costs incurred by the Council on behalf of the Fund. The Council is also the single largest employer of members of the Fund and contributed £60.8m to the Fund in 2021/2022 (£56.8m in the 2020/2021 year).

The Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by Buckinghamshire Council's treasury management team, through a service level agreement. During the year to 31 March 2022, the Fund had an average investment balance of £8.3m (£5.9m in the 2020/2021 year), earning interest of £2k (£11k in the 2020/2021 year).

Membership of the Local Government Pension Scheme (LGPS) for Councillors closed to new members on 31 March 2014. Councillors who were active members ceased to be a member at the next end of term of office. There are no members of the Pension Fund Committee who are a deferred member of the Fund. There are no members of the Pension Fund Committee who were pensioner members of the Fund on 31 March 2022 (on 31 March 2021 no pensioner members and no deferred members). The Service Director of Finance, holds a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire Council accounts. Members of the Pension Fund Committee and the post of Head of Projects and Pensions are the key management personnel involved with the Pension Fund. £32k was incurred by the Pension Fund for costs in relation to key management personnel. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts.

The Fund has transactions with Brunel Pension Partnership Ltd (Brunel) (Company number 10429110) which was formed on 14 October 2016 and will oversee the investment of pension fund assets for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. Each of the 10 organisations, including Buckinghamshire Council, own 10% of Brunel. During the year to 31 March 2022 Brunel provided services costing £1,214k (£1,179k in the year to 31 March 2021).

## Note 15 - Current Assets and Liabilities

31 March 2021	Current Assets and Liabilities	31 March 2022
£000		£000
	<b>Current Assets</b>	
12,806	Contributions due from employers 31 March	10,020
2,885	Cash balances (not forming part of the investment assets)	3,697
1,929	Other current assets	1,517

<b>17,620</b>	<b>Total Current Assets</b>	<b>15,234</b>
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	<b>Current Liabilities</b>	
(146)	Management charges	(154)
(1,144)	HM Revenue and Customs	(1,199)
(440)	Unpaid benefits	(435)
(6,334)	Other current liabilities	(2,658)
<b>(8,064)</b>	<b>Total Current Liabilities</b>	<b>(4,446)</b>
<b>9,556</b>	<b>Net Current Assets</b>	<b>10,788</b>

## Note 16 - Taxes on Income

The Fund retains the following taxation status:

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

## Note 17 - Actuarial Position of the Fund

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

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

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 87% to 94% between 31 March 2016 and 31 March 2019. The improvement of the funding position since the previous valuation is mainly due to good investment returns and employer contributions. To produce the future cashflows or liabilities and their present value Barnett-Waddingham formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality, early retirement and staff turnover etc. The Fund's actuary undertook an interim valuation as at 31 March 2022 which showed that the funding level had increased to 96%. The estimated funding position is based on market movements since 31 March 2019 rather than being a full valuation with updated member data.

The main assumptions used in the valuation were:

### Financial assumptions

• Discount rate	2.35%
• Pension increases	1.85%
• CPI inflation	1.85%
• Salary increases	2.85%

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

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the triennial valuation as at 31 March 2019. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2022 is £2,193m (31 March 2021 £2,518m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
6,146,928	Present value of funded obligation	6,095,115
(3,628,709)	Fair value of scheme assets	(3,902,383)
<b>2,518,219</b>	<b>Net Liability</b>	<b>2,192,732</b>

The present value of funded obligation consists of £6,006m (£6,052m at 31 March 2021) in respect of vested obligation and £88m (£95m at 31 March 2021) in respect of non-vested obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

### Financial Assumptions / Inflation Expectations

<b>31 March 2021</b>		<b>31 March 2022</b>
2.00%	Discount rate	2.60%
2.65%	RPI increases	3.45% to 4.00%
2.85%	CPI increases	3.20%
2.85%	Pension increases	3.20%
3.85%	Salary increases	4.20%

These assumptions are set with reference to market conditions on 31 March. The actuary's approach to derive the appropriate discount rate is the Single Equivalent Discount Rate (SEDR) methodology. The Actuary uses sample cashflows for employers at each duration year (from 2 to 30 years) and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation the Actuary uses the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point. This is consistent with the approach used at the previous accounting date.

Similarly, to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England (BoE) implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that there will be a gap between the two inflation measures of between 0.25% and 0.80% per annum.

Salaries are assumed to increase at 1.0% above CPI. This approach is the same as the previous accounting date. Pension increases in the LGPS are expected to be based on Consumer Prices Index (CPI)

### Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 95% for females. These base tables are then projected using the CMI 2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% pa. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 March 2021	31 March 2022
<b>Retiring today</b>		
Males	21.6	21.6
Females	25.0	25.0
<b>Retiring in 20 years</b>		
Males	22.9	23.0
Females	26.4	26.5

The actuary also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;



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

## Note 19 - Contingent Liabilities and Contractual Commitments

Outstanding contractual commitments on 31 March 2022 relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts “called” by the funds are irregular in both size and timing over several years from the date of each original commitment. The undrawn amount, the outstanding commitment, for each of these contracts is shown in the table below:

Outstanding Capital Commitments	31 March 2021	31 March 2022
	£000	£000
Brunel Infrastructure Cycle 3	0	250,000
Brunel Private Debt Cycle 3	0	150,000
Brunel Private Equity Cycle 3	0	150,000
Brunel Infrastructure Cycle 2	233,826	183,278
Brunel Private Debt Cycle 2	130,000	107,363
Brunel Private Equity Cycle 2	119,094	98,952
Brunel Infrastructure Cycle 1	51,473	28,583
Brunel Private Equity Cycle 1	55,658	40,908
Pantheon Asia Fund V LP	1,436	1,225
Pantheon Asia Fund VI LP	3,441	2,888
Pantheon USA Fund VII Limited	1,057	1,097
Pantheon USA Fund VIII Feeder LP	4,014	4,171
Pantheon Global Secondary Fund IV Feeder LP	1,481	1,538
Partners Group Global Resources 2009, LP	3,079	3,248
Pantheon Europe Fund V “A” LP	860	812
Pantheon Europe Fund VI LP	3,084	2,911
Partners Group Global Real Estate 2008 SICAR	1,707	1,524
Partners Group Global Infrastructure 2009 SICAR	2,690	2,762
	<b>612,900</b>	<b>1,031,260</b>

On 31 March 2022 there were no group transfers into the Fund being negotiated with other Funds (two on the 31 March 2021).

On 31 March 2022 there was one group transfers out from the Fund to other Pension Funds being negotiated (four on the 31 March 2021), the value of the transfer £2,556k has been accrued.

## Note 20 - Additional Voluntary Contributions (AVCs)

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

<b>2020/2021 £000</b>	<b>Prudential</b>	<b>2021/2022 £000</b>
4,727	Value of AVC fund at beginning of year	5,006
751	Employees' contributions and transfers in	882
328	Investment income and change in market value	436
(800)	Benefits paid and transfers out	(832)
<b>5,006</b>	<b>Value of AVC fund at year end</b>	<b>5,492</b>

<b>2020/2021 £000</b>	<b>Scottish Widows</b>	<b>2021/2022 £000</b>
2,087	Value of AVC fund at beginning of year	2,157
63	Employees' contributions	56
292	Investment income and change in market value	128
(285)	Benefits paid and transfers out	(281)
<b>2,157</b>	<b>Value of AVC fund at year end</b>	<b>2,060</b>

## Note 21 - List of Scheduled and Admitted Bodies

### Scheduled Bodies

Buckinghamshire Council  
 Buckinghamshire Fire and Rescue Service  
 Chiltern Crematorium  
 Thames Valley Police  
 Milton Keynes Council  
 Milton Keynes Development Partnership  
 PCC for Thames Valley

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

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

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

Buckinghamshire New University	Inspiring Futures Partnership Trust
Buckinghamshire University Technical College	Ivingswood Academy
Burnham Grammar School	John Colet School
Bushfield School	John Hampden Grammar School
Castlefield School	Jubilee Wood Primary School
Chalfonts Community College	Kents Hill Park School
Chalfont St Peter CE Academy	Kents Hill School
Chalfont Valley E-Act Academy	Kingsbridge Education Trust (MAT)
Charles Warren Academy	Kingsbrook View Primary Academy
Chepping View Primary Academy	Knowles Primary School
Chesham Bois CofE Combined School	Lace Hill Academy
Chesham Grammar School	Langland Community School
Chestnuts Academy	Lent Rise Combined School
Chiltern Hills Academy	Longwick CofE Combined School
Chiltern Way Academy	Lord Grey Academy
Christ the Sower Ecumenical Primary School	Loudwater Combined School
Cottesloe School	Loughton School
Curzon School	Mandeville School
Danesfield School	Manor Farm Junior School
Denbigh School	Middleton Primary School
Denham Green E-Act Academy	Milton Keynes Academy
Dorney School	Milton Keynes College
Dr Challoner's Grammar School	Milton Keynes Education Trust
Dr Challoner's High School	Monkston Primary Academy
Edlesborough School	Moorland Primary School
Elmhurst School (Academy)	New Bradwell School
Elmtree Infant and Nursery School	New Chapter Primary School
EMLC Academy Trust	Oakgrove School
Fairfields Primary School	Olney Infant School
George Grenville Academy	Olney Middle Academy
Germander Park School	Orchard Academy
Gerrards Cross CoE School	Ousedale School
Glastonbury Thorn First School	Overstone Combined School
Great Horwood CofE Combined School	Oxford Diocesan Bucks School Trust (MAT)
Great Kimble CoE School	Oxley Park Academy
Great Kingshill CoE Combined School	Padbury CofE School
Great Marlow School	Pioneer Secondary Academy
Great Missenden CoE Combined School	Portfields Combined School
Green Park School	Princes Risborough Primary School
Green Ridge Academy	Princes Risborough School
Hamilton Academy	Rickley Park Primary School
Heronsgate School	Royal Grammar School
Heronshaw School	Royal Latin School
Holmer Green Senior School	St Edwards Catholic Junior School
Holmwood School	St John's CofE Combined School
Holne Chase Primary School	St Joseph's Catholic Infant School
Ickford School	St Joseph's Catholic Junior School
Insignis Academy Trust	St Louis Catholic Primary School

St Mary & St Giles CofE School  
 St Mary's CofE Combined School  
 St Nicolas' CE Combined School Taplow  
 St Paul's RC School  
 St Peter's Catholic Primary School  
 Seer Green CofE School  
 Shenley Brook End School  
 Shepherdswell School  
 Sir Henry Floyd Grammar School  
 Sir Herbert Leon Academy  
 Sir Thomas Fremantle Academy  
 Sir William Borlase's Grammar School  
 Sir William Ramsay School  
 Southwood Middle School  
 Stanton School  
 Stantonbury International School  
 Stephenson Academy  
 The Beaconsfield School  
 The Hazeley Academy

The Highcrest Academy  
 The Misbourne School  
 The Premier Academy  
 The Radcliffe School  
 Thomas Harding Junior School  
 Two Mile Ash School  
 Waddesdon CoE School  
 Walton High  
 Water Hall Primary School  
 Waterside Combined School  
 Watling Academy  
 West Wycombe Combined School  
 Whitehouse Primary School  
 Wooburn Green Primary Academy  
 Woodside Junior School  
 Wycombe High School  
 Wyvern School

#### **Admitted Bodies**

Acorn Childcare  
 Action for Children Services Ltd  
 Alliance in Partnership (BPPS)  
 Alliance in Partnership (BPS)  
 Ambassador Theatre Group  
 Ambient Support  
 Ashridge Security Management  
 Aspens Services Ltd  
 Avalon Cleaning Services (Langland School)  
 Birkin Cleaning Services (Shenley Brook End)  
 Buckinghamshire Local Enterprise Partnership  
 Buckinghamshire Music Trust  
 Bucks Association of Local Councils  
 Bucks County Museum Trust  
 Busy Bee Cleaning Services Ltd (BC)  
 Busy Bee Cleaning Services Ltd (BCD)  
 Busy Bee Cleaning Services Ltd (Walton High)  
 Caterlink Ltd (Chiltern Hills Academy)  
 Chiltern Conservation Board  
 Chiltern Rangers CIC  
 Cleantec Services Limited (Denham Academy)  
 Cleantec Services Limited (Oakgrove School)  
 Cleantec Services Limited (Radcliffe School)  
 Cucina Restaurants Ltd (Denbigh School)  
 Cucina Restaurants Ltd (Lord Grey)  
 Cucina Restaurants Ltd (Shenley BE)  
 Cucina Restaurants Ltd (Walton High)

Everyone Active Ltd  
 Excelcare  
 Fairhive Homes Ltd  
 Fujitsu Services Limited  
 Hightown Housing Association Ltd  
 Innovate Ltd  
 Kids Play Ltd  
 Manpower Direct Ltd  
 Mears Group plc  
 Monitor Cleaning Services Ltd  
 Oxfordshire Health NHS Foundation Trust  
 Places for People Leisure (Newport Pagnell TC)  
 Places for People Leisure (WDC)  
 Police Superintendents Association Limited  
 Red Kite Community Housing Ltd  
 Ringway Infrastructure Services  
 Ringway Jacobs  
 RM Education  
 Sasse Facilities Management Ltd  
 Serco (MKC)  
 Serco (MKC Recreation & Maintenance)  
 Sports Leisure Management  
 Thrift Activity Farm Ltd  
 Wellbeing and Fitness Leisure Community Trust  
 Wolverton Leisure Trust  
 Wycombe Heritage and Arts Trust





## Report to Audit and Governance Committee

<b>Date:</b>	23 <sup>rd</sup> November 2022
<b>Title:</b>	<b>Treasury Management Mid-Year Update Report</b>
<b>Cabinet Member(s):</b>	Cllr John Chilver - Cabinet Member for Accessible Housing and Resources and Cllr Tim Butcher - Deputy Cabinet Member for Accessible Housing and Resources
<b>Contact officer:</b>	Julie Edwards
<b>Ward(s) affected:</b>	None specific
<b>Recommendations:</b>	<b>The Committee is asked to note the Treasury Management Mid-Year Update Report for 2022/23.</b>

### 1. Executive summary

1.1 The Council is required to report to members on the current year's treasury management activity. It has been agreed that a mid-year report on the treasury management activity for the first six months of the financial year would be reported to the Audit and Governance Committee.

1.2 The table below is a summary of the Council's borrowing.

	1st April 2020	31st March 2021	31st March 2022	30th Sept 2022	31st March 2023	31st March 2024
£000						
PWLB	333,193	286,459	279,638	<b>266,194</b>	262,728	255,728
LOBO	30,000	30,000	30,000	<b>30,000</b>	30,000	30,000
Total	363,193	316,459	309,638	<b>296,194</b>	292,728	285,728

1.3 The treasury cash (investments) position is summarised overleaf.

£000	31st Dec 2021	31st March 2022	30th June 2022	30th Sept 2022	31st Dec 2022	31st March 2023	30th June 2023
<b>Term Deposits</b>							
UK Banks	5,000	5,000	15,000	<b>15,000</b>	20,000	20,000	20,000
Overseas Banks	5,000	10,000	10,000	<b>20,000</b>	20,000	20,000	20,000
Building Societies	-	-	10,000	<b>10,000</b>	10,000	10,000	10,000
Local Authorities	113,000	103,000	70,000	<b>75,000</b>	65,000	55,000	45,000
UK Government	-	-	23,300	-	-	10,000	40,000
	123,000	118,000	128,300	<b>120,000</b>	115,000	115,000	135,000
<b>Instant Access</b>							
MMF	62,360	37,815	78,750	<b>53,510</b>	60,100	43,800	65,100
<b>Property Fund</b>							
CCLA	21,418	22,923	24,122	<b>23,098</b>	23,098	23,098	23,098
<b>Total</b>	206,778	178,738	231,172	<b>196,608</b>	198,198	181,898	223,198

- 1.4 In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.
- 1.5 In overall budget terms, the Council is forecast to be £2.800m net better off during the year, the increase in interest rates means that the Council is forecast to achieve £1.884m more investment income than budgeted for. The Council is forecast to spend £8.379m on interest for external borrowing activity in the financial year, an underspend of £916k compared to the budget of £9.295m. The budget assumed that the Council would undertake new borrowing in 2022/23, to date no new borrowing has been undertaken. The table overleaf summarises the budget monitoring position. Another factor, however, was the continuation of the Council's strategy to use surplus cash instead of borrowing, to reduce risks and keep external financing costs low. The Council will continue the strategy of internal borrowing while it makes sense to continue to do so. The table overleaf summarises the year end forecast for interest on external borrowing an interest receivable on term deposits / Money Market Funds.



	Budget	Year End Forecast	Variance
	£000	£000	£000
External Interest Costs	9,295	8,379	-916
Interest Receivable on Term Deposits / MMFs	-1,469	-3,353	-1,884
<b>Net Position</b>	<b>7,826</b>	<b>5,026</b>	<b>-2,800</b>

## 2. Content of report

- 2.1 The Council is required to operate a balanced budget, which broadly means that income raised during the year will meet expenditure. Part of the treasury management operation is to ensure that 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.
- 2.2 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.
- 2.3 In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Procedure Rules, this Council is 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.
- 2.4 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). CIPFA launched an updated Code of Practice in 2022.
- 2.5 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.
- 2.6 The Council's Treasury Management Strategy Statement (TMSS) was approved by Council on 23<sup>rd</sup> February 2022. There are no policy change proposed to the TMSS at this stage. The general policy is the prudent investment of its treasury balances and

cost-effective borrowing to finance long term investment in the Council's assets. The approach to investments with other local authorities will be reviewed as part of the TMSS for 2023/24.

### Interest rate forecasts

- 2.7 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The table overleaf based on the latest forecasts from Link and Capital Economics, a consultancy that supports Link to develop / sense check their interest rate forecasts. It suggests that both short and long-dated interest rates will be elevated for some time.

Interest Rate Forecasts								
Bank Rate	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Link	4.00%	5.00%	5.00%	5.00%	4.50%	4.00%	3.75%	3.25%
Cap Econ	4.25%	5.00%	5.00%	5.00%	5.00%	4.75%	4.25%	3.75%
5Y PWLB RATE								
Link	5.00%	4.90%	4.70%	4.50%	4.20%	3.90%	3.70%	3.50%
Cap Econ	5.20%	5.00%	4.90%	4.70%	4.50%	4.30%	4.20%	4.00%
10Y PWLB RATE								
Link	4.90%	4.70%	4.60%	4.30%	4.10%	3.80%	3.60%	3.50%
Cap Econ	5.10%	4.90%	4.80%	4.70%	4.60%	4.40%	4.20%	4.00%
25Y PWLB RATE								
Link	5.10%	4.90%	4.80%	4.50%	4.30%	4.10%	3.90%	3.70%
Cap Econ	5.10%	5.00%	4.90%	4.90%	4.80%	4.60%	4.50%	4.30%
50Y PWLB RATE								
Link	4.80%	4.60%	4.50%	4.20%	4.00%	3.80%	3.60%	3.40%
Cap Econ	4.90%	4.90%	4.90%	4.80%	4.80%	4.60%	4.50%	4.30%

### Borrowing

- 2.8 The Council has a combination of Public Works Loan Board (PWL<sup>1</sup>) loans and loans from financial institutions to meet its current borrowing requirements. Loans outstanding totalled £296.194m on 30 September 2022; £266.194m was from the PWLB, £30m Lenders Option Borrowers Option (LOBOs<sup>2</sup>) from the money markets. The Council pursues a strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, to reduce risk and keep external financing costs low. The Council is forecast to spend £8.379m on interest for external borrowing activity in the financial year, an underspend compared to the budget of £9.295m, to date no new borrowing has been undertaken. The budget assumed that the Council would undertake new borrowing in 2022/23. The table overleaf is a summary of the Council's borrowing on 30<sup>th</sup> September 2022, the borrowing position on 1<sup>st</sup> April 2020 and 31<sup>st</sup> March 2021. The table also forecasts the borrowing position for the 31<sup>st</sup> March 2023 and 31<sup>st</sup> March 2024; the forecasts assume no new borrowing takes place in the meantime.

£000	1st April 2020	31st March 2021	31st March 2022	30th Sept 2022	31st March 2023	31st March 2024
PWLB	333,193	286,459	279,638	266,194	262,728	255,728
LOBO	30,000	30,000	30,000	30,000	30,000	30,000
Total	363,193	316,459	309,638	296,194	292,728	285,728

<sup>1</sup> 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.

<sup>2</sup>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.

- 2.9 Debt rescheduling opportunities have been limited in the current economic climate and therefore no debt rescheduling has been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

### **Annual Investment Strategy**

- 2.10 The TMSS for 2022/23, which includes the Council's Treasury Investment Strategy requires the Council to invest its treasury 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. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.
- 2.11 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year to 30<sup>th</sup> September 2022, the Council's cash balances averaged £223m, including the CCLA (Churches, Charities and Local Authorities) property fund investment.
- 2.12 The treasury cash (investments) position is summarised below.

£000	31st Dec 2021	31st March 2022	30th June 2022	30th Sept 2022	31st Dec 2022	31st March 2023	30th June 2023
<b>Term Deposits</b>							
UK Banks	5,000	5,000	15,000	<b>15,000</b>	20,000	20,000	20,000
Overseas Banks	5,000	10,000	10,000	<b>20,000</b>	20,000	20,000	20,000
Building Societies	-	-	10,000	<b>10,000</b>	10,000	10,000	10,000
Local Authorities	113,000	103,000	70,000	<b>75,000</b>	65,000	55,000	45,000
UK Government	-	-	23,300			10,000	40,000
	123,000	118,000	128,300	<b>120,000</b>	115,000	115,000	135,000
<b>Instant Access</b>							
MMF	62,360	37,815	78,750	<b>53,510</b>	60,100	43,800	65,100
<b>Property Fund</b>							
CCLA	21,418	22,923	24,122	<b>23,098</b>	23,098	23,098	23,098
<b>Total</b>	206,778	178,738	231,172	<b>196,608</b>	198,198	181,898	223,198

- 2.13 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. The Council is forecast to achieve £3.353m interest on its investments, an overachievement of income of £1.884m compared to the budget of £1.469m. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30<sup>th</sup> September 2022.
- 2.14 Treasury management's role is to ensure that the Council has cash available to meet its day-to-day requirements. Environmental, Social and Governance (ESG) treasury investments are being developed but do not represent a significant proportion. Treasury investments are generally short term, some overnight, secure, providing access to cash when the Council needs it. They do not include fossil fuels or companies with a large carbon footprint. Treasury investments place cash somewhere safe that generates a return to the benefit of the residents of Buckinghamshire.

- 2.15 **Externally Managed Pooled Funds** Buckinghamshire Council has invested £20m in the CCLA property fund in three tranches, currently worth £23.098m. The CCLA property fund is an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations; the objectives instead are regular revenue income and long-term price stability.
- 2.16 **Sovereign Limits** The Council will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent). The cash limit for AAA sovereign rated countries is £20m per country and £40m in aggregate – Australia, Denmark, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden and Switzerland are AAA. On 30<sup>th</sup> September 2022 £20m was invested in banks domiciled in AAA sovereign rated countries.
- 2.17 **Other Local Authorities** The Council invests with other local authorities. Local Authorities are considered to be quasi government risk. In addition, there is also specific protection under the Local Government Act 2003, which sets out that no local authority can offer security to a lender, however there is specific regulation on loans to local authorities which makes clear that all loans are secured on future revenues and this includes the ability to take legal action if any debts are not repaid.
- 2.18 The 2022/23 TMSS includes a statement that 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 be placed with the prior approval of the Service Director of Finance in consultation with the Cabinet Member for Accessible Housing and Resources. Following recent articles in the press about high levels of indebtedness with other local authorities, the Council has received a letter of assurance from another local authority that an outstanding loan will be repaid to the Council on the 6<sup>th</sup> January 2023. The number of local authorities who are experiencing financial difficulties has increased significantly over recent years resulting in s114 notices, Best Value reports and Public Interest reports, applications for Capitalisation Directives, as well as reports of general financial pressures being experienced by councils. In this economic environment, future investments with other local authorities require advance approval from the Chief Executive and the Leader of the Council.

### **Prudential Indicators**

- 2.19 Each year, the Council agrees Prudential Indicators under the Local Government Act 2003 which are affordable, prudent and sustainable. The indicators were agreed by full Council at its meeting on 23<sup>rd</sup> February 2022. During the half year ended 30<sup>th</sup> September, the Council has operated within the treasury and prudential indicators set out in the Council's TMSS for 2022/23. The Service Director of Finance reports

that no difficulties are envisaged for the current or future years in complying with these indicators.

### **Borrowing Indicators**

- 2.20 The Capital Financing Requirement (CFR) measures the Council's underlying external need to borrow for capital purposes. This is essentially the Council's outstanding debt, necessary to finance the Council's capital expenditure. Each year the CFR is increased by the amount of debt required to support the capital programme and reduced by revenue charges for the repayment of debt. The actual debt is dependent on the type and maturity of the borrowing undertaken as well as seeking the optimal cashflow situation.
- 2.21 Comparing gross debt with the capital financing requirement is an indicator of the Council's prudence in managing its capital expenditure and is designed to ensure that, over the medium term, external borrowing is only for capital purposes. Gross external borrowing should not, except in the short term, exceed the total of the CFR. The values are measured at the end of the financial year. The table below shows that the Council is projected to have borrowings of £292.728m by 31<sup>st</sup> March 2023 which means that it has utilised £286.98m of cash flow funds in lieu of borrowing (internal borrowing). The Council's estimated annual saving by not paying interest on external debt and foregoing investment interest, which is low in the current economic circumstances, is £1.8m. The estimates for 2022/23 and 2023/24 take into account the £100m potential borrowing facility that Council has delegated to Cabinet where there exists a robust and financially viable business case, although the restrictions on borrowing from PWLB to invest primarily for yield and higher PWLB borrowing costs mean that there are fewer prudential borrowing opportunities available.

<b>Indicator</b>	<b>Unit</b>	<b>Latest 2022/23</b>	<b>Estimate 2022/23</b>	<b>Estimate 2023/24</b>
Gross Debt	£m	292.78	405.54	405.27
Capital Financing Requirement	£m	579.76	579.76	573.78
<b>Internal Borrowing</b>	<b>£m</b>	<b>286.98</b>	<b>174.22</b>	<b>168.51</b>

- 2.22 The Authorised Limit for External Debt is required to separately identify external borrowing (gross of investments) and other long-term liabilities such as covenant repayments and finance lease obligations. The limit provides a maximum figure that the Council could borrow at any given point during each financial year.
- 2.23 The Operational Boundary for External Debt is a key management tool for in-year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point in the year. In comparison, the authorised limit is the maximum allowable level of borrowing.

Authorised limit £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	510	510	510
Other long-term liabilities	10	10	10
<b>Total</b>	<b>520</b>	<b>520</b>	<b>520</b>

Operational boundary £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	410	410	410
Other long-term liabilities	7.5	7.5	7.5
<b>Total</b>	<b>417.5</b>	<b>417.5</b>	<b>417.5</b>

- 2.24 The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the Authorised Limit not being breached.

#### **Treasury Management Indicators**

- 2.25 The Council measures and manages its exposures to treasury management risks using the following indicators.
- 2.26 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The weighted average credit rating of AA- exceeds the target A.

Credit Risk Indicator	Indicator as at 30 <sup>th</sup> September 2022	Target
Portfolio average credit rating	AA-	A

**Maturity structure of borrowing:** This indicator is set to control the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The time periods start on the first day of the financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Actual 2022/23	Upper Limit	Lower Limit
Under 12 months	5%	15%	0%
12 months to 2 years	7%	17%	0%
2 years to 5 years	12%	22%	0%
5 years to 10 years	26%	34%	0%
10 years to 20 years	20%	33%	0%
20 years to 30 years	16%	33%	0%
30 years to 40 years	4%	30%	0%
40 years and above	0%	30%	0%

- 2.27 **Investment performance / risk benchmarking** - the Council uses the 7 day SONIA (Sterling Overnight Index Average) compounded rate as an investment benchmark to assess the investment performance of its investment portfolio. To date average investment returns of 1.16% are 0.03% below the 7 day SONIA of 1.19%; this is due to the Council holding term deposits placed before the recent increases in interest rates. These term deposits will mature over the next few months.

Risk benchmarking	7 day SONIA	Average investment returns
Investment performance	1.19%	1.16%

- 2.28 **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.

Upper limit for principal sums invested for longer than 365 days			
£m	2022/23	2023/24	2024/25
Investments on 30 <sup>th</sup> September 2022 in excess of 1 year maturing in each year	£0m	£10m	£0m
Principal sums invested for longer than 365 days	£25m	£25m	£25m



- 2.29 CIPFA published a revised Treasury Management Code and Prudential Code on 20<sup>th</sup> 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.
- 2.30 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).
- 2.31 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.

### **3. Legal and financial implications**

- 3.1 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.

### **4. Corporate implications**

- 4.1 There are none.

### **5. Background papers**

- 5.1 There are none.



## Report to Audit & Governance Committee

<b>Date:</b>	23 <sup>rd</sup> November 2022
<b>Reference number:</b>	N/A
<b>Title:</b>	<b>Treasury Management Loans to Other Local Authorities</b>
<b>Cabinet Member(s):</b>	John Chilver, Cabinet Member for Accessible Housing and Resources and Cllr Tim Butcher - Deputy Cabinet Member for Accessible Housing and Resources
<b>Contact officer:</b>	Mark Preston, Assistant Director of Finance (Pensions, Procurement and Revenues)
<b>Ward(s) affected:</b>	None specific
<b>Recommendations:</b>	<b>That the Treasury Management Strategy being developed for 2023/24 will take into account the new range of government interventions and not just capitalisation directives and S114 notices as per the Audit and Governance Committee actions from the meeting of 27<sup>th</sup> September 2022. In the meantime, additional controls have been implemented for loans to other Local Authorities.</b>
<b>Reason for decision:</b>	To reduce the reputational risk to the Council of making loans to local authorities who are experiencing financial difficulties or where concerns exist about their financial status.

### 1. Executive summary

- 1.1 The Council generates an income from interest it receives from the investment of the cash balances it holds. The Treasury Management Strategy sets out the parameters within which cash balances can be invested. Included in the Treasury

Management Strategy is the ability to loan up to £10m for 5 years with any individual local authority up to a total of £150m being placed with local authorities at any one time. The number of local authorities who are experiencing financial difficulties has increased significantly over recent years resulting in s114 notices, Best Value reports and Public Interest reports, applications for Capitalisation Directives, as well as reports of general financial pressures being experienced by councils.

- 1.2 This report looks to reassure the Council that there is no risk to the funds that are loaned to other local authorities, even when they are facing significant financial pressures, and explain why the council needs to loan money to other local authorities. Recognising that there is a lot of press coverage of local authorities suffering financial pressures outside of formal notices and reports, the report also looks at the options for further consideration before agreeing loans to other local authorities.

## **2. Content of report**

### **Lender Protections**

- 2.1 Local Authorities are considered to be quasi government risk. In addition, there is also specific protection under the Local Government Act 2003, which sets out that no local authority can offer security to a lender, however there is specific regulation on loans to local authorities which makes clear that all loans are secured on future revenues and this includes the ability to take legal action if any debts are not repaid.
- 2.2 The relevant sections of the Local Government Act are Section 6 (Protection of lenders) and Section 13 (Security for money borrowed etc). Section 6 provides that *'a person lending money to a local authority shall not be bound to enquire whether the authority has power to borrow the money and shall not be prejudiced by the absence of any such power'*.
- 2.3 However, it is Section 6 that sets out the specific security provided on any loans made to local authorities. In particular:

*13 (3) All money borrowed by a local authority (whether before or after the coming into force of this section), together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority.*

*13 (5) The High Court may appoint a receiver on application by a person entitled to principal or interest due in respect of any borrowing by a local authority if the amount due remains unpaid for a period of two months after demand in writing.*

*13 (7) The High Court may confer on a receiver appointed under subsection (5) any powers which the local authority has in relation to—*

- (a) collecting, receiving or recovering the revenues of the local authority,*
- (b) issuing levies or precepts, or*
- (c) setting, collecting or recovering council tax.*

- 2.4 The above protections would enable the recovery of any outstanding debt with a local authority.
- 2.5 In addition, the CIPFA Code of Practice on Local Authority Accounting also makes clear that a local authority is not expected to default, so you make no 'Expected Credit Loss' in your accounts on any investment made with another local authority.
- 2.6 The maintenance of the 'Watch List' of local authorities where public announcements of financial difficulties have been made is a valid internal measure to put in place as a means of managing reputational risk. However, even where we have loaned money to local authorities that subsequently present with financial issues, there is no tangible financial risk to the Council.

## **Treasury Management**

- 2.7 The level of cash balances that the Council currently holds is largely because of the healthy level of reserves that the Council has set aside. This has enabled the Council to undertake internal borrowing rather than having to borrow and incur additional revenue borrowing costs, however the level of cash balances the Council currently has is approximately £220m. The Council's Treasury Management Strategy sets out the parameters within which it can loan money to generate revenue income from interest received. The Council can loan up to £10m for up to 5 years with a single local authority, up to a maximum limit of £150m with local authorities at any one time.
- 2.8 Although the commercial market is improving with recent interest rate rises, the opportunities are intermittent and sometimes the counterparties do not conform to our Treasury Management Strategy in terms of loan amount being sought or duration required. The Treasury team use a mixture of Money Market Funds, Commercial Bank and Building Societies as well as local authorities to place its cash to maximise returns without risking the loan value given. There are sometimes good deals available with other local authorities, which would be better than interest that could be gained through the government Debt Management Office (DMO).

## **Local Authorities Lending**

- 2.9 The advice from Link, the Council's treasury management advisers, is not to exclude local authorities from our lending list as they are the safest counterparties and using

other counterparties increases credit risk. Although there is no specific security against a loan, the statutory protections described at 2.1-2.3 provide for the ability to place a charge against a local authority's future revenues. This has never had to be tested, as historically no local authority has ever defaulted on a loan.

- 2.10 Despite this, the Treasury Management Strategy, that was agreed at Council in February, recognised that there were a number of local authorities that were issuing s114 notices or requesting capitalisation directives due to financial pressures being experienced and therefore the following section was added to the Treasury Management Strategy:

***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 be 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.*

- 2.11 There was a recent LGC article published on 16<sup>th</sup> September 2022, about the scale of borrowing by Thurrock from other local authorities. Buckinghamshire Council was one of a large number of authorities named, due to a £10m 1 year loan given to Thurrock Council in January 2022. Although there is no section 114 notice or capitalisation directive, in September 2022 the government announced that it was appointing Essex County Council as commissioners to oversee Thurrock's finance and governance functions. The existing Treasury Management Strategy makes no formal requirement to report this loan to Regulatory and Audit, as there is no s114 notice or capitalisation directive in place, however this needs to be reviewed considering the potential reputational risk that such a loan poses to the Council.
- 2.12 The Interim s151 Officer of Thurrock Council has subsequently written to the Leader of Council to give assurance that the £10m will be repaid on 6<sup>th</sup> January 2023 as they have agreed a refinancing packing of their short-term loans through the PWLB with the Department for Levelling Up, Housing and Communities and the Treasury.
- 2.13 Although the formal strategy states that the Council should not loan to Councils with a section 114 notice or capitalisation directive in place, the Treasury Management watch list includes those authorities that have requested capitalisation directives or where commissioners have been appointed regardless of any formal notices or directives.

- 2.14 In the current macroeconomic context and the known pressures on local authority finances, there is a realistic probability that more councils will find themselves in an adverse funding scenario and that this could emerge without any notice.
- 2.15 It is being recommended that before any local authority loan is made, a thorough due diligence review is undertaken to ensure that there are no financial issues that have been raised regarding that local authority. In year budget pressures and Medium-Term Financial Planning funding gaps are commonplace in many local authorities and are regularly reported, but this does not necessarily mean there is any risk in making loans to those Councils. Therefore, following that review, a loan will only be placed with another local authority once it has been signed off by the s151 Officer, the Chief Executive and the Leader of the Council.
- 2.16 The Council had made a £10m loan to Spelthorne BC on 13<sup>th</sup> January 2022. This loan was repaid on 14<sup>th</sup> November 2022. Again, although there is no s114 notice or capitalisation directive in place or requested, Spelthorne has featured prominently in the press due to the significant level of investments it has made in Commercial Property. Under the new proposal this loan could not be made without getting s151 Officer, Chief Executive and Leader of the Council sign off first.

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

- 3.1 An analysis of a local authority's balance sheets and CIPFA data could be undertaken before a loan is issued. However, this analysis would only be backward looking and couldn't be future proofed. It would also be highly resource intensive and couldn't be carried out in sufficient time given that there is often a short window of opportunity to accept any deal and there wouldn't be sufficient time to undertake the analysis on a case-by-case basis.

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

- 4.1 The statutory underwrite under the Local Government Act 2003 is explained in the report, which protects any loan made to another local authority.

### **5. Corporate implications**

- 5.1 There are no other significant corporate implications not already covered in the report.

### **6. Next steps and review**

- 6.1 The Treasury Management Strategy 2023/24 will be updated to reflect the actions from the 27<sup>th</sup> September 2022 Audit & Governance Committee meeting before coming to the 1<sup>st</sup> February 2023 Audit & Governance Committee for review.

## **7. Background papers**

[Treasury Management Strategy 2022/23](#)





## Audit and Governance Committee

<b>Date:</b>	23 November 2022
<b>Reference number:</b>	N/A
<b>Title:</b>	2021/22 Revised Draft Annual Governance Statement
<b>Cabinet Member(s):</b>	N/A
<b>Contact officer:</b>	Nick Graham, Director of Legal & Democratic Services Glenn Watson, Principal Governance Officer
<b>Ward(s) affected:</b>	N/A
<b>Recommendations:</b>	<b>Members are recommended to approve the Annual Governance Statement 2021/22.</b>
<b>Reason for decision:</b>	It is a statutory requirement to adopt an Annual Governance Statement.

### 1. Executive summary

- 1.1 This report contains a revised draft Annual Governance Statement (AGS) for 2021/22. This is the second AGS for Buckinghamshire Council and relates to the second year of the Council's operation as a unitary authority. Recovery from the COVID-19 pandemic was a key feature of the year. The Committee made some initial comments on the earlier draft at its meeting in September 2022.
- 1.2 The purpose of an AGS is to comment on the effectiveness of a council's governance arrangements for the year in question. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) advises that an AGS should be high level, strategic, meaningful and brief. An AGS sits alongside a council's published Statement of Accounts for the same year. As such, and in order to meet that timeframe, the Committee needs to adopt an AGS for 2021/22 at this meeting.

- 1.3 An AGS should contain an Opinion as to the effectiveness of the governance arrangements, given by the Chief Executive and Leader of the Council. The draft AGS contains such an Opinion for 2021/22 based on the assurances contained within it:

“the Council’s governance arrangements in 2021/22 were sound and provide a robust and effective platform for achieving the Council’s priorities and challenges in 2022/23. It is our opinion that this has remained the case despite the very real challenges of providing services during a period of recovery from the COVID-19 pandemic.”

- 1.4 This revision incorporates the amendments suggested by members of the Committee at the last meeting and since. In particular, the Committee felt that OFSTED’s SEND inspection (Special Educational Needs and Disabilities) should be reflected in the AGS and its associated action plan for 2022/23. This has been done.

## **2. Content of report**

- 2.1 The draft AGS complies with CIPFA guidance in containing:

- a) An assessment of effectiveness
- b) An Opinion on that effectiveness
- c) An Action Plan for 2022/23, and comments on that for 2021/22
- d) A Conclusion

- 2.2 The draft reflects the conclusions reached in various annual, and other, reports received by Council, Cabinet and Committees which relate to aspects of governance during 2021/22. This has included:

- a) Chief Finance Officer’s Statutory Reports to Budget Setting Councils of 2021/22 and 2022/23
- b) Corporate Plan Refresh Report to Council in February 2022
- c) Buckinghamshire Council Annual Report to Annual Meeting in May 2022
- d) Annual Scrutiny Report 2021/22
- e) Audit & Governance Committee Annual Report in April 2022; and reports to the same Committee on internal audit and assurance process (March and May 2022)
- f) Community Boards Annual Report April 2022
- g) OFSTED re-inspection report (inspection period 6 December 2021 to 17 December 2021) and associated Cabinet, Select Committee reports
- h) OFSTED and Care Quality Commission SEND inspection letter

- 2.3 The Statement reflects the work of this Committee in overseeing governance, as outlined in the [September report](#) (paragraph 2.2).
- 2.4 The Statement now also includes the following as raised by members of the Committee:
- a) 'COVID-19' – standardised reference to this throughout
  - b) Risk Management Group – importance of the challenge made to directors on acceptable risk levels, page 2 and 15
  - c) The learning of lessons generally and also from other authorities' experience – page 2 and 16
  - d) Council – role in approval of 'budget and policy framework', page 6
  - e) Deputy Cabinet Members – role in support of Cabinet, page 6
  - f) Audit & Governance Committee – attendance by the Council's statutory Section 151 Officer (current Service Director of Finance), page 6
  - g) Select committees – more detail on their coverage and contribution, page 6
  - h) Community Boards and High Wycombe Town Committee - roles, page 7
  - i) Internal and External Audit – reflect their counter-fraud role, page 8
  - j) General Data Protection Regulation – GDPR policy to be referenced, page 10
  - k) Induction for members – include reference to ICT training on data security, page 10
  - l) Constitutional change – emphasise dual role of this Committee and the Standards & General Purposes Committee, page 10
  - m) Election petition – correct the previous reference by referring to "the Totteridge & Bowderdean Ward", page 11
  - n) Community Board experience – highlight that the 'rapid review' also included engagement with unparished communities, page 12
  - o) Community Board experience – reflect that a range of stakeholder views across parished and unparished areas were sought on their experience of community boards, page 12
  - p) SEND Inspection – clear articulation of the SEND Inspection, page 12-13; and inclusion of it in the Action Plan for 2022/23, page 18
  - q) Refugee support – include reference to Ukrainian refugees in addition to support for Afghan refugees, page 13
- 2.5 The activity of the Committee in overseeing governance during the current year will of course be reflected in the AGS for 2022/23, which will be drafted in early 2023, in a revised format, as agreed by the Committee earlier this year.

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

- 3.1 It is a legal requirement to produce an AGS and there is clear guidance from CIPFA as to the elements that an AGS should contain.

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

- 4.1 The Council is required to produce an Annual Governance Statement under the Audit and Accounts Regulations 2015.

## **5. Corporate implications**

- 5.1 The AGS reflects the effectiveness of the Council's governance during 2021/22 and sets out priority actions for improving governance in 2022/23.

## **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 Approval of the AGS by this Committee fulfils the legal requirement for members to adopt the AGS ahead of the required signature by the Leader of the Council and the Chief Executive.
- 8.2 Once finalised, the AGS would be made available as part of the Council's Statement of Accounts. It would also be available on the Council's website. Members had also asked how the AGS could be made available to those who did not have access to, or preferred not to use, the Council's website. Copies will be made available in hard copy at each of the Council's offices and libraries.

## **9. Background papers**

- 9.1 CIPFA's 'Delivering Good Governance in Local Government: Framework' (2016 Edition).

Buckinghamshire Council

## **2021/22 Annual Governance Statement (AGS)**

**November 2022**

## INTRODUCTION

On 1 April 2020, we became a new organisation, establishing the single Buckinghamshire Council, providing all council services to our Buckinghamshire residents as one team. The “go-live” of the new, single Unitary authority had coincided with the first period of lockdown due to COVID- 19. After twelve months of living under the shadow of a global pandemic and the challenges it brought, and continues to bring, this context very much dominated the Council’s second full year of operation in 2021/22 as we sought to build on our successes.

In May 2021, elections were held which resulted in the election of 147 councillors, a further step in the development of the new Council.

This is the second Annual Governance Statement (AGS) for Buckinghamshire Council and conveys the breadth of work undertaken by staff across the Council to comply with the various standards in place for public services whilst responding to the pandemic.

This review includes:

- A commentary on the effectiveness of the Council’s governance in 2021/22 and how we performed against the core principles;
- Governance arrangements in relation to COVID-19;
- Internal Audit function during 2021/22;
- Our statutory governance roles;
- Review of actions for 2020/21 and Actions for 2022/23.

We have reviewed the overall effectiveness of the Council’s governance in the second year of our operation. This has also involved recognising areas for improvement and the importance of learning lessons. We did this, for example, in response to key inspections, and through our Select Committees, and key governance committees; through our risk management processes; and through our interest in learning from the governance experience of other authorities. The Action Plan sets out additional actions we will be taking alongside our ongoing focus on law and standards to deliver continuous improvement.

## STATEMENT OF OPINION

It is our opinion that the Council’s governance arrangements in 2021/22 were sound and provide a robust and effective platform for achieving the Council’s priorities and challenges in 2022/23. It is our opinion that this has remained the case despite the very real challenges of providing services during a period of recovery from COVID-19.

## SIGNATURES

Signed on behalf of Buckinghamshire Council:

	<b>Date</b>		<b>Date</b>
<b>Rachael Shimmin</b>	<b>XX/XX/22</b>	<b>Martin Tett</b>	<b>XX/XX/22</b>
<b>Chief Executive</b>		<b>Leader of the Council</b>	

## Scope of Responsibility

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

We also have a duty under the [Local Government Act 1999](#) to put in place proper arrangements for:

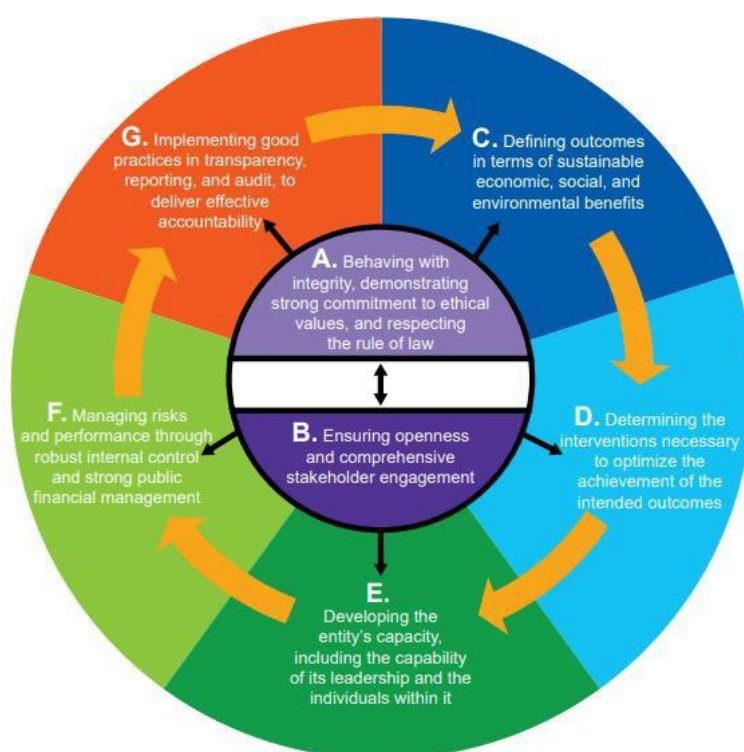
- the continuous improvement of our functions
- the governance of our affairs, including those of the Local Government Pension Scheme, which includes arrangements for the management of risk.

The Council has approved and adopted a Constitution, and has several internal documents, which set out the corporate governance framework for the Council consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”.

The AGS explains how Buckinghamshire Council has complied with the Governance Framework. It also meets the requirements of [Regulation 6 of the Accounts and Audit Regulations 2015](#) in relation to the publication of the statement of internal control.

## Core Principles of Good Governance

Good Governance in the Public Sector comprises the arrangements in place to ensure that the intended outcomes for all interested parties are defined and legally achieved. In delivering good governance, both the Council, and individuals working for and with it, aim to achieve the Council’s objectives while fulfilling these principles. The core principles defined in the national “Delivering Good Governance in Local Government” framework are set out in the following graphic:



## Buckinghamshire Council's Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money

The second year of the new Unitary authority has focused on building the processes, cultures and values of the Council.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It could not eliminate all risk of not achieving policies, aims and objectives and could therefore only provide a reasonable and not an absolute assurance of effectiveness. The system of internal control is based on an on-going process to:

- identify and prioritise the risks to the Council of not meeting its policies, aims and objectives
- evaluate the likelihood and potential impact of those risks being realised, and to
- manage them efficiently, effectively and economically.

The **Chief Internal Auditor** undertakes the required annual self-assessment of the Council's Internal Audit function, against the Public Sector Internal Audit Standards. The **External Auditor** attends meetings of the Audit & Governance Committee.

There are regular meetings throughout the year of our **Statutory Officers** (Head of Paid Service, Monitoring Officer, Chief Finance Officer and Chief Internal Auditor) to review and monitor governance issues.

The Council's **Corporate Management Team** (CMT) has a separate budget board meeting; and all meetings of CMT have legal and finance input into their discussions.

## Policy, Planning and Decision Making

The Corporate Plan 2020 - 2025 is focused on delivery of four key priorities:

- strengthening our communities.
- improving our environment.
- protecting the vulnerable.
- increasing prosperity.

The Corporate Plan sets out our strategic direction for achieving our ambition to make Buckinghamshire the best place to live, raise a family, to work and do business. Underpinning the Corporate Plan is a set of Strategic Priorities for each of the Council's six directorates which set out how services will contribute to the Corporate Plan and how success will be measured over the course of a year

Buckinghamshire Council has 147 councillors, 3 for each of the 49 wards. These councillors are from different political parties and have different roles in the decision-making process.



All councillors agree to follow the member code of conduct and the rules for making decisions set out in [our Constitution](#).

Within the Constitution, the Schemes of Delegation to members and officers, the Financial Procedure Rules and other supporting procedures clearly define how decisions are taken and highlight the processes and controls required to manage risks with appropriate review procedures

Details of the Council's democratic decision-making structure can be found [here](#).

## **Financial Management**

Strong financial management is critical to ensuring the financial sustainability of the Council. This involves demonstrating that Value for Money is delivered in the services provided and that the priorities of the Council are delivered. The Council operates in an uncertain environment and this has led to major failings in other councils. The Council's Financial Management Strategy sets out how we work to manage this uncertainty and to ensure the Council's aims and objectives continue to be delivered into the future. There is strong external assessment of the Council's financial capability and areas for improvement are captured in Finance Improvement Plan.

Given that the financial outlook nationally continues to look challenging with an even higher degree of uncertainty, it is imperative that the Council keeps to its standards of governance: retaining such a clear, strong focus is key, supported by robust reporting and an equally robust review of financial controls.

The challenges that we face are not unique and it is important that the Council keeps itself informed of learning from other councils' experiences. This commitment will continue to inform the Council's actions.

The **CIPFA Financial Management Code** sets out the key details the elements for demonstrating good financial management in the public sector. This underpins our Financial Management Strategy.

The seven pillars of financial management at Buckinghamshire Council are:

- Leadership behaviours.
- The finance service as business partners.
- Robust financial planning processes.
- A strong governance framework.
- Clarity of accountability across the organisation.
- A commercial approach to financial management.
- Decision-making which supports financial sustainability.

## **Partnership with the Voluntary, Community and Social Enterprise Sector (VCSE) – Reset, Resilience and Restoration**

There is VCSE representation on all of Buckinghamshire's key partnerships, but one new board was created because of the exemplary strategic approaches taken in the pandemic. The **VCSE Recovery**

**Board** was established as part of the 3R framework (Reset-Resilience-Restoration). It brings together senior officers from key organisations to provide invaluable insight, a planned response and a constructive call to action. The VCSE Recovery Board has four key roles:

- Provide senior representation of key VCSE organisations for strategic and tactical ‘calls to action’ with a solution focused approach.
- Share insight to assess the impact of COVID-19 on Buckinghamshire’s communities and the VCSEs.
- Enable more joined up thinking for community resilience and future emergency responses and help drive forward action in a more coordinated manner.
- Focus on maximising resources including identifying opportunities and mobilising volunteers.

### Key Roles

Key roles within the governance framework are:

<b>The Council</b>	<ul style="list-style-type: none"> <li>➤ Approves the Corporate Plan</li> <li>➤ Approves the Constitution</li> <li>➤ Approves the budget and policy framework of the Council</li> </ul>
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>➤ Main decision-making body of the Council</li> <li>➤ Made up of the Leader of the Council and a number of Cabinet Members with responsibility for different portfolios</li> <li>➤ Supported by Deputy Cabinet Members</li> </ul>
<b>Audit and Governance Committee</b>	<ul style="list-style-type: none"> <li>➤ Provides assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment</li> <li>➤ Approves annual Financial Statements and the Annual Governance Statement</li> <li>➤ Attended by the Section 151 Officer</li> </ul>
<b>Standards and General Purpose Committee</b>	<ul style="list-style-type: none"> <li>➤ Oversees the Council’s Councillor Code of Conduct and the overall standards of conduct and ethics of Members and co-opted Members of Buckinghamshire Council</li> </ul>
<b>Select Committees (6)</b>	<ul style="list-style-type: none"> <li>➤ The select committees each fulfil a check and challenge function for decisions and policies made by the Cabinet helping the Council to assess its performance and learn lessons.</li> <li>• <u>Children’s &amp; Education Select Committee</u> Covering the portfolio areas of: Education and Skills, Youth Provision and Children’s Services</li> <li>• <u>Communities &amp; Localism Select Committee</u> Covering the portfolio areas of: Communities, Culture, Regulatory Services, Sports and Leisure</li> <li>• <u>Finance &amp; Resources Select Committee</u></li> </ul>

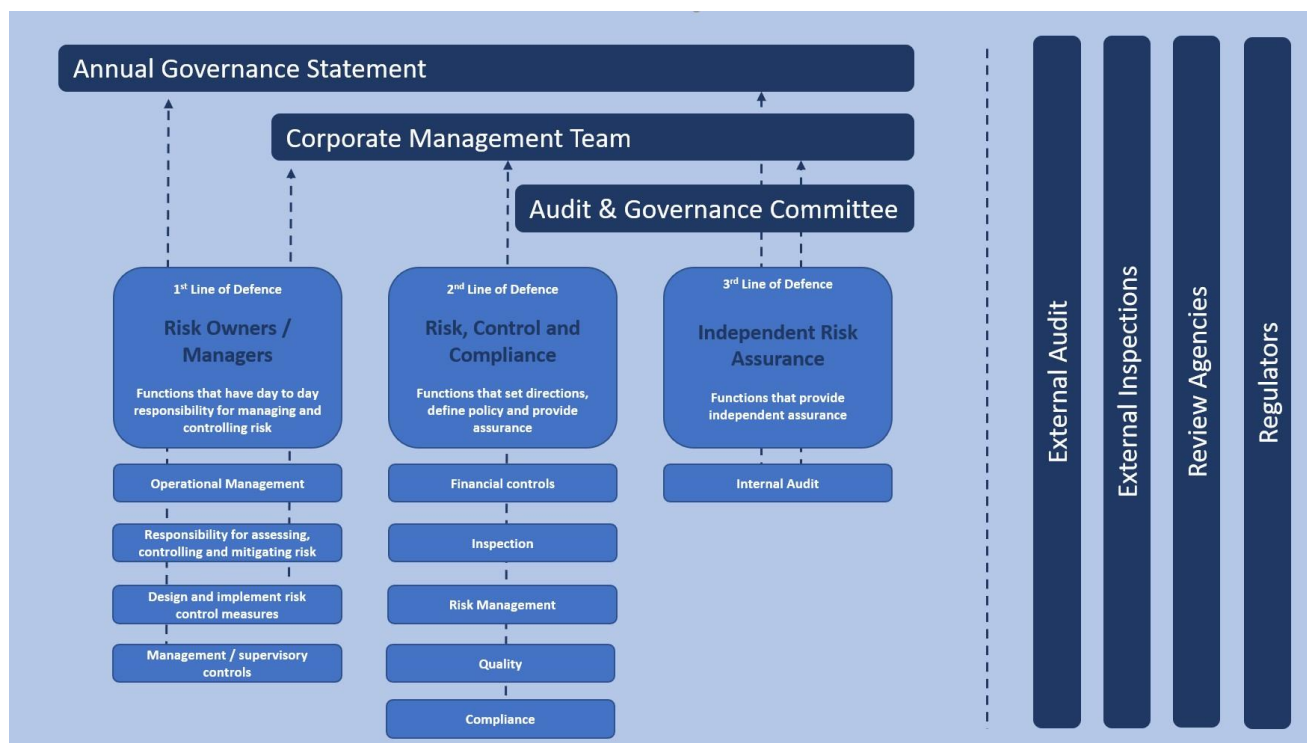
	<p>Covering the portfolio areas of: the Leader of the Council, Resources, Property and Assets</p> <ul style="list-style-type: none"> <li>• <u>Growth, Infrastructure &amp; Housing Select Committee</u></li> </ul> <p>Covering the portfolio areas of: Planning and Enforcement, Housing and Homelessness, Town Centre Regeneration</p> <ul style="list-style-type: none"> <li>• <u>Health &amp; Adult Social Care Select Committee</u></li> </ul> <p>Covering the portfolio areas of: Adult Social Care and Communities and Public Health</p> <ul style="list-style-type: none"> <li>• <u>Transport, Environment &amp; Climate Change Select Committee</u></li> </ul> <p>Covering the portfolio areas of: Transport, Logistics and Environment and Climate Change</p>
<b>Community Boards and Town Committee</b>	<ul style="list-style-type: none"> <li>➤ 16 advisory Community Boards in local areas provide a forum for discussing local issues, making recommendations to decision-making bodies, and overseeing allocated spending</li> <li>➤ A High Wycombe Town Committee exists to consider and advise the Council on any issues affecting the High Wycombe Town area. The Committee is an advisory body and does not have decision making powers</li> </ul>
<b>Corporate Management Team (CMT)</b>	<ul style="list-style-type: none"> <li>➤ The Chief Executive has overall accountability for the governance framework</li> <li>➤ CMT implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues</li> <li>➤ Accountability for developing and maintaining the Council's governance and risk framework</li> </ul>
<b>Chief Finance (\$151) Officer</b>	<ul style="list-style-type: none"> <li>➤ Responsible for managing the Council's finances and providing expert financial advice to the Council.</li> <li>➤ Accountable for developing and maintaining the Council's internal control and counter-fraud framework</li> <li>➤ Contributes to the effective corporate management and governance of the Council</li> <li>➤ Attends formal 1:1s with CEO, and attends all CMT meetings</li> </ul>
<b>Monitoring Officer</b>	<ul style="list-style-type: none"> <li>➤ Advises the Council on ethical issues, standards, and powers to ensure the Council operates within the law and statutory Codes of Practice</li> <li>➤ Overall responsibility for the maintenance and operation of the Whistle blowing Policy and contributes to the effective corporate management and governance of the Council</li> </ul>

<b>Managers</b>	<ul style="list-style-type: none"> <li>➤ Responsible for developing, maintaining, and implementing the Council's governance, risk, and control framework</li> <li>➤ Contribute to the effective corporate management and governance of the Council</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>➤ Provides independent assurance and opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework</li> <li>➤ Delivers an annual programme of risk-based audit activity, including counter fraud and investigation activity</li> <li>➤ Responsible for developing and implementing the Anti-Fraud and Corruption Policy and monitoring the investigation of any reported issues</li> <li>➤ Ensures all suspected or reported irregularities are dealt with in accordance with the Anti-Fraud and Corruption Policy; identifies improved controls</li> <li>➤ Makes recommendations for improvements in the management of risk</li> </ul>
<b>External Audit</b>	<ul style="list-style-type: none"> <li>➤ Audits / reviews and reports on the Council's financial statements (including the Annual Governance Statement)</li> <li>➤ Provides an opinion on the accounts and use of resources, including the arrangements in place for securing economy, efficiency, and effectiveness in the use of resources (the value for money conclusion)</li> <li>➤ Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft</li> </ul>

**In preparing the Annual Governance Statement the Council has:**

Reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance. The review of effectiveness is informed by **three lines of defence**:

- senior managers within the Council who have responsibility for the development and maintenance of the governance environment
- the Head of Internal Audit
- inspections made by external auditors and other review agencies and inspectorates



The key sources of assurance that inform this review and where it is obtained from are:

Where do we need assurance?					
Compliance	Standards of Conduct and Behaviour	Risk Management	Financial Management	Service Delivery	Effectiveness of Internal Controls

Where do we get assurance from?						
Constitution	Audit & Committee, Council, Scrutiny	Internal and External Audit	Risk Management Strategy and Framework	Performance Management System / Reporting	Complaints, Counter Fraud and Whistleblowing	Independent and External Sources (e.g. OFSTED, CIPFA)

### Effectiveness Against the Core Principles of Good Governance

What follows is a summary of our key governance framework and an assessment of its effectiveness over the 2021/22 year.

The summary uses each of CIPFA's seven **Core Principles of Good Governance**:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

NB As part of our actions for 2022/23, the Council is achieving a Local Code of Corporate Governance which will set out the council's governance framework in more detail.

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

- Members and officers recognise the importance of compliance with the Constitution, specifically the Finance and Contract Procedure Rules; the Scheme of Delegation and Codes of Conduct; all of which are reviewed and updated regularly. Where there have been instances of non-compliance or areas of concern, these are identified, reported through appropriate channels and managed effectively under established policies and processes and where necessary escalated for action.
- Statutory responsibilities across the Council are discharged openly and proactively, examples include having key statutory officers in place including the Monitoring Officer, S151 Officer, Head of Paid Service and the Senior Information Risk Owner (SIRO)).
- The Council has **General Data Protection**, Complaints, Whistleblowing, Anti-Fraud and Corruption and Anti-Money Laundering policies in place which are monitored through the Audit and Governance Committee.
- The Council is committed to reviewing the Constitution each year and has established a Constitution Review Group of the Chairmen and Vice-Chairmen of the Standards & General Purposes Committee and the Audit & Governance Committee

##### **Effectiveness:**

- The Council adopted a new Member Code of Conduct based on the national Model Code; and held post-election Member Code of Conduct training for councillors
- A full post-election induction programme for councillors took place to build essential knowledge to underpin decision-making, good governance and community representation; **this included ICT training on maintaining data security**
- The Standards & General Purposes Committee's refreshed work programme contained a focus on the timeliness of code of conduct processes and the nature of the complaints received and their outcomes. Additional resourcing was given to overseeing code of conduct complaints. An internal audit of the Members' Registers of Interests took place – which resulted in a positive assessment.
- The Council carried out an annual review of the Constitution.
- **The power to change the Constitution is reserved to full Council via recommendation from the Standards and General Purposes Committee in consultation with the Audit & Governance Committee.** The Monitoring Officer also has delegated authority to make amendments to ensure the Council conducts itself lawfully, and minor amendments where appropriate. A Constitution Members Working Group consisting of the Chairmen and Vice-Chairmen of both the Audit and Governance Committee and the Standards and General Purposes Committee

met a number of times to consider proposed changes. Feedback was obtained from appropriate members and officers.

- Services have responded rapidly and flexibly in reaction to the pressures of COVID-19 and changing legislation; examples of which have been seen in delivering vaccinations, testing and lockdown practices.
- The Council demonstrated a zero tolerance to fraud and corruption. Millions of pounds of grant money have been awarded to thousands of businesses and built in pre-authorisation counter fraud checks arranged to minimise fraud; the system was refined and improved with each round of funding and officers resisted pressure to pay before suitable arrangements were embedded to ensure best use of grants.

## **B. Ensuring openness and comprehensive stakeholder engagement**

- The Council's partnership arrangements include the Buckinghamshire Growth Board (developing a strategic vision and producing the Recovery and Growth Programme); the Buckinghamshire Local Enterprise Partnership (a business-led 'partnership of equals' building sustainable economic growth); and the Integrated Care Partnership bringing health and care professionals together (to look after physical, social and mental health needs).

### **Effectiveness:**

- The Council managed a safe and legal transition back to 'meetings in public' but retained the benefit of live streaming for main meetings (Cabinet, Council, Committees). The recordings as well as the minutes and meeting papers are on our website.
- Engagement has been demonstrated through the Council's response to COVID-19 with communications across several media channels and at an unprecedented level of frequency; daily at peak times and to a variety of stakeholders. An example was the regular updates from the Chief Executive to keep members and officers informed of responses to major events and activities, such as the transition to the new Unitary Authority and COVID-19, and the Leader's regular e-newsletter to residents which provided critical information about the local situation and response to the pandemic.
- The Council continued its involvement in the Local Resilience Forum. The Forum moved out of Major Incident status on 23 February 2021 in response to a decrease in pressure across the Thames Valley Local Resilience Forum partners, but the response structure remained in place at this time. The move out of Major Incident was a positive change and demonstrated the hard work across the area to respond to COVID-19.
- Public Health continued to be at the forefront of engagement with all stakeholders during the pandemic.
- Stakeholders are able to take part in public consultations or surveys [here](#).
- Elections were successfully held in May 2021 in a legally compliant, COVID-safe way to this Council (147 members) and for parish council and police and crime commissioner positions – encouraging safe and inclusive voting and counting.
- An election petition was made challenging the result of the Totteridge and Bowerdean ward election held on 6 May 2021 but this was not upheld by the Court which confirmed the integrity of the election procedures and the result
- The Council participated in the public consultations on the Electoral Review of Buckinghamshire Council undertaken by the Local Government Boundary Commission for England. This first consultation was about the number of councillors to be elected from May 2025. The Council's suggested number of 120 was not followed by the Commission which itself recommended 98 councillors. The Council then began a response to the second consultation – on a pattern of wards for 2025 onwards. This will continue into 2022/23. The Council was supported in this with an inclusive cross-party Electoral Review Working Group of councillors.



- The Council's 16 Community Boards **were an important part of** the Council's ambition to strengthen local connections and to work with our communities on local issues. The Boards brought together local people, town and parish councils, communities, organisations and businesses. Member Task and Finish Groups and Select Committee reviews helped identify areas of improvements for the next 12 months and beyond. This followed engagement sessions with parish and town councils **and unparished areas and stakeholders including community groups and charities**, who gave useful feedback e.g. on funding processes, structures and communications.
- Public consultations continued to take place on council services, with Business Intelligence design and analysis: including those related to draft neighbourhood plans and the development of the Buckinghamshire Local Plan (3000 responses to the latter's pre-engagement survey).

### **C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

#### **Effectiveness:**

- In responding to COVID-19, the Council continued to re-prioritise work during 2021/22 and managed employees across the workforce to meet service needs in addition to redeployment to NHS roles to support the testing and vaccination programmes.
- Learning from this period about ways of working has been evaluated to ensure a balanced approach going forward. This includes a return to office working and the support for employee wellbeing.
- The use of digital technology continued; customers were encouraged further to self-serve online although our venues opened again to receive people in person
- Inevitably, the impact of COVID-19 tested financial resilience in 2020/21 and will continue to do so in coming years. Overall, government funding covered the additional costs / reduced income resulting from the pandemic. The medium and longer-term elements of the financial plans were challenging in 2021/22 with the one-year spending review. Scenario planning and careful monitoring remained important.

### **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

- Decisions are taken in accordance with the Constitution either by elected members or by delegation to officers. Reports are considered by Legal and Finance before decisions are made to ensure they present the information required for members to make a reasoned decision.
- COVID-19 emergency decisions followed approved processes and a protocol for virtual public meetings was adopted.
- The Voluntary, Community and Social Enterprise Sector (VCSE) and has a fundamental role in strengthening communities and delivering shared priorities.

#### **Effectiveness:**

- **OFSTED Inspection:** in November and December 2021, OFSTED carried out a reinspection of aspect of children's services; as result of the continued improvement of services, the outcome was that the Council's rating was no longer 'inadequate' but 'requires improvement to be good'. This was a highly positive result and was based on a detailed assessment which noted that several strengthened areas of leadership were in place. It noted that children were being included more in decision-making and governance structures.
- **A Special Educational Needs and Disabilities (SEND) inspection** took place between February and March 2022 and was undertaken by Ofsted and the Care Quality Commission (CQC). The inspection raised significant concerns about the effectiveness of the area. As a



result of the inspection findings, the local area was required to submit a Written Statement of Action (WSOA) to address significant areas of weakness. These relate to the provision of specific health services for children and young people with SEND. The service is continuing with the wider improvement journey: the intention is that support received by children with SEND across the county is high quality and effective. Efforts are being focused on improving areas of significant weakness as highlighted by the inspection.

- The response to COVID-19 saw a continuation of new ways of working and emergency arrangements; changes to 'business as usual' activities, including cessation or reduced frequency or scale of activities and responding to peaks of demand.
- A Strategic Framework 2021-2024 was created with the Voluntary, Community and Social Enterprise Sector (VCSE). The strategy was developed in collaboration with the VCSE Recovery Board.
- In support of Afghan and Ukrainian refugees, and in partnership with government and local agencies, the Council put platforms and resources in place to match families with suitable accommodation, advice, and help towards for health, schooling, accessing employment and integration into the local community.

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

- The Corporate Management Team was well established before the Unitary authority 'went live' on 1 April 2020, the Service Director management structure was also in place; this arrangement was consolidated during 2021/22.
- Officers and Members understand their respective roles, these are set out in job descriptions and the Constitution. These responsibilities and accountabilities are reviewed on a regular basis.
- A mandatory training programme is in place for all officers.
- The Better Buckinghamshire Service Review (transformation) programme launched soon after transition. The programme has a clear methodology and involves a systematic review of each individual service area over a three-year period to design and implement new service models, as well as a number of cross cutting projects focused on organisation wide capacity.

#### **Effectiveness:**

- A Leadership Development Programme was begun for senior managers, to build leadership capacity. Supplemented with the Being a Bucks Manager programme required for all managers.
- Procurement Team delivered substantial training to managers on procurement, contract management and modern slavery in the supply chain.
- Procurement Team, albeit with limited resources, supported procurement governance through a record number of cases, from initial project registration to tendering evaluation, contract award and contract management, although resources.

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

- The economic and societal impacts of the COVID-19 created the context for the Council's budget for 2021/22
- The Council continued to operate in a framework of strong financial governance including the Constitution and Financial Procedure Rules; supported by a clear set of strategic documents and detailed financial instructions giving guidance on key financial processes
- Each serviced has an allocated Finance Business Partner
- The Audit & Governance Committee provides a rigorous focus on risk and has established a **Risk Management Group** to report to it. The Audit and Governance Committee is responsible for approving the Risk Management Strategy, and the Risk Management Group monitors the effective implementation of the strategy
- Services pro-actively input into the annual audit programme and into strategic, operational and project risk reviews. Both strategic and operational risks are reviewed regularly by senior managers and Corporate Directors and are reported through to the Risk Management Group.
- Risks are managed within services using the Corporate Risk Management system, Pentana, and each directorate has an agreed Risk Escalation Framework.
- Internal Audit sets a risk assessed programme annually identifying the key areas for review and the need for assurance.
- The Audit Board (S151 and Monitoring Officer, Head of Audit and Director of Legal) oversees the Internal Audit Plan and approves all changes to priorities.
- The Statutory Officers Group (Chief Executive, S151 and Monitoring Officers, Director of Legal and Governance and the Head of Business Assurance (& Chief Auditor)) meet every six weeks and has oversight of current fraud investigations, high risk cases, data breaches, member complaints and other statutory matters.

### Effectiveness:

- The second budget for the Council was impacted by COVID-19 – we successfully set a budget balancing these demands; prudently we set a revenue budget only for one year, mindful of levels of uncertainty about future funding and to avoid assumptions based on the changing global, national and local impact of the pandemic.
- Comparison with the annual resilience index of the Chartered Institute of Public Finance and Accountancy (including, for example, adequacy of reserves, funding risk and exposure to social care demand risk) showed a low-level of risk; confirmed by internal control measures
- We successfully consolidated the reserves of the five legacy councils and aligned them to the Council's new structures: the reserves provide funding across multiple years for the delivery of specific projects and to mitigate risks
- A reserves protocol has been developed to support greater oversight of reserves and to ensure they are created, used and managed in a consistent fashion
- The development of the Medium Term Financial Plan featured budget holder conversations throughout the year.
- The Internal Audit Plan continued to be affected by the pandemic, with capacity constraints across the organisation: the Plan did however fluidly taken account of new, emerging and changing risks as reported to the Audit & Governance Committee. A risk-based methodology was applied to ensure a continued focus on priorities.
- In Quarter 3 of 2021/22, the Council's audit arrangements were the subject of the Council's first five-yearly external inspection. It was the opinion of CIPFA (the assessor) that Buckinghamshire Council's Internal Audit Service's self-assessment was accurate and concluded that the Council fully conformed to the requirements of the Public Sector Internal

Audit Standards and the CIPFA Local Government Application Note. There were no areas of non-conformance. The report highlighted the good practice of the Internal Audit service as part of the formation of a new authority alongside the issues that arose as a result of COVID-19.

- Significant areas of Internal Audit work included post-income verification work and post-payment assurance for business grant payments
- The Business Assurance Team continued to embed good risk management practices across the Council, including an offer of monthly risk management training sessions and refreshment of the eLearning module.
- The **Risk Management Group** (of the Audit & Governance Committee) met seven times during the financial year. The group reviewed the strategic and key directorate risks facing the authority and the internal controls and governance in place to manage those risks is embedded within Services. The Group invited various Cabinet Members and Directors to their meetings to discuss the risks in their areas and to identify any outstanding concerns or follow-up actions on relevant risks. This provided useful challenge to Directors e.g. around the acceptability of risk levels. The Group's focus meant that certain areas such as Climate Change now have an annual risk review.
- Grants in relation to COVID-19 required additional management, operational/financial oversight and some external resource was used to provide additional capacity and audit capability.
- Daily situation reports ('sit reps') took place to assess COVID-19's impact on the ability of the Council to delivery services and to monitor staff resources.
- Business continuity challenges were well managed providing speedy responses to ensure the safety of all, compliance with and implementation of Government guidance, improved communications of the issues, increased deployment and use of IT systems for remote working, community support, collation of data such as staff absences, payment of grants to businesses, redeployment of staff, business and council tax relief and minimising the risk of fraud.
- Internal Audit plans were regularly revisited and resources redeployed to help design and deliver processes and activity in response to COVID-19 providing a level of assurance as to the Council's management of the situation.
- High risk areas not subject to audit were identified to enable senior management and members to gather and seek direct assurance as necessary.
- The Head of Audit's opinion on the adequacy and effectiveness of the Council's internal control, risk management and governance framework was of 'reasonable assurance'. This was based on the Internal Audit and Assurance work performed, support to the Council in responding to COVID-19, the management responses received and the COVID-19 climate in which the Council was operating (along with the on-going service transformation programme).
- The Strategic Risk Register has been reviewed and challenged by CMT on a regular basis, with new and emerging risks considered and included where appropriate.
- During 2021/22, Cabinet took the decision to set up a Shareholder Committee (of Cabinet) to give greater oversight of the Council's companies and limited liability partnerships. This was in keeping with good governance guidance and the outcomes of several reports and audits into other authorities' company governance. The Shareholder Committee with clear roles and training is expected to commence work in 2022/23 with suitable training and resource.
- Process established for twice-yearly reporting to the Audit & Governance Committee on compliance with Contract Procedure Rules – including waivers and breaches. This enables transparency, analysis and learning – particularly around the circumstances of breaches.

- Process also established for reporting to the Audit & Governance Committee on the learning outcomes for governance arising from inspections of other authorities e.g., from public interest reports, reports to councils from Chief Finance Officers (known as 'Section 114 reports') and from commissioners appointed to review an authority.

#### **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- As a public body, the Council has a high level of transparency in its activities and reporting and complies with the relevant legislation.
- Information is reported and shared through various routes including Council, Cabinet, Scrutiny Committees and with partners.
- Contracts awarded and other procurement information is updated monthly on our websites; full, detailed, and timely feedback is made available to all unsuccessful bidders.
- The Information Governance Group oversees the implementation of Information Security policies based on best practice.
- The externally chaired Children's Services Improvement Board provides robust oversight of the implementation of the improvement plan.
- The externally chaired Adults and Health Practice and Quality Board provides robust oversight of the quality of practice within this directorate.

#### **Effectiveness:**

- During 2021/22, we refreshed our Corporate Plan 2020-25. This was needed to reflect key events and changes, such as COVID-19, since the plan was drafted in 2019/20. The refreshed Plan provides the building blocks to our success and sets out the Council's strategic priorities and how we can achieve these. It is used to inform Cabinet portfolio priorities, service, and team planning to support the county to recover, build resilience and reset.
- Supporting this plan will be a number of strategies and policies which will detail how we will deliver our ambitions and priorities.

## **5. Action Plan**

The governance issues facing the Council are not necessarily always a result of weaknesses within the internal control framework.

The AGS Action Plan priorities for 2022/23 are set out in **Appendix 1**. An update is also included at **Appendix 2** of the actions from 2021/22.

## **6. Conclusion**

The opinion of the Chief Finance Officer is that the Council continues to operate robust internal controls and good public financial management. Further action is required to manage financial pressures and develop strategies to meet the long-term financial challenges that face the Council. There has been no need for the Chief Finance Officer to exercise his statutory escalatory powers. The Council complies with its financial regulations and procedures together with relevant codes of practice and guidance.

It is the opinion of the Monitoring Officer, that the Council has complied with its Constitution and its

corporate governance arrangements are sound

**David Skinner**  
**Director of Corporate Finance (S151)**  
**xx 2022**

**Sarah Ashmead**  
**Deputy Chief Executive (Monitoring Officer)**  
**xx 2022**

## Appendix 1 – Specific priority actions for 2022/23

Governance Issue	Action to be taken	Responsible Officer	Timescale
Children's Services	<p>Following the re-inspection by OFSTED and the improved rating for the Council ('requires improvement to be good'), the Council is committed to acting on the recommendations for action:</p> <ol style="list-style-type: none"> <li>1) Agreeing a Cabinet-agreed Action Plan</li> <li>2) Ensuring follow-through of the Action Plan (<a href="#">viewable</a> here) by: <ol style="list-style-type: none"> <li>a) using existing Quality Assurance Framework and Check &amp; Challenge process to review practice and monitor progress on a regular basis</li> <li>b) action leads to provide six-weekly updates which will consider progress alongside Performance and Impact Reporting (including data trends, quality assurance and key performance indicators)</li> <li>c) progress against this plan will also be a standing item on each Improvement Board Agenda.</li> </ol> </li> </ol>	Corporate Director of Children's Services	<p>Approved July 2022</p> <p>Six-weekly update reports</p> <p>Milestones in the action plan range from June 2022 to March 2023</p>
Children's Services	<p>Following the <a href="#">first inspection by OFSTED and the Care Quality Commission</a> of the services and support provided across Education, Health and Care in Buckinghamshire for children and young people with special educational needs and/or disabilities – SEND – the Council is committed to:</p> <ol style="list-style-type: none"> <li>1) Implementing the Written Statement of Action in response to the inspection findings.</li> <li>2) the Children's Services Continuous Improvement Board overseeing the Written Statement of Action, providing appropriate external challenge to drive improvement at pace and scale.</li> <li>3) Implementing the monitoring arrangements and liaising with the Department for Education, at the agreed frequency (every 4-6 months) who will assess and support our progress.</li> <li>4) Maintaining our Quality Assurance work and improvement programme activity, overseen by the SEND Integrated Services Board</li> </ol>	Corporate Director of Children's Services	Milestones within the Written Statement of Action

Shareholder Committee	<p>Establishment of a Shareholder Committee (a committee of the Cabinet) under the Council's decision-making arrangements for 2022/23</p> <p>Delivery of training for Directors and for Members of the Shareholder Committee</p> <p>Creation of specific guidance on Conflicts of Interest to guide the Committee and the Council in the consideration of appointments to directorships and to the Committee</p> <p>Establish the role of Audit &amp; Governance Committee in reviewing the governance for the Council's trading companies.</p>	Director of Corporate Finance	<p>Completed July 2022</p> <p>Completed September 2022</p> <p>Drafted and considered in October 2022</p> <p>March 2023</p>
Electoral Review of Buckinghamshire Council	<p>The Council to engage fully in the public consultations on the future pattern of wards for Buckinghamshire Council (effective from May 2025) by:</p> <p>a) recommending a pattern of wards</p> <p>b) commenting fully on the Commission's own proposals</p>	Deputy Chief Executive	<p>Achieved April 2022 with revision in July 2022</p> <p>October-November 2022</p>
Local Code of Corporate Governance	<p>Creation of a Local Code of Corporate Governance. While not a statutory requirement, achieving an up-to-date Local Code is considered 'best practice'. The Code is intended to describe the Council's governance framework and will support future Annual Governance Statements which assess the effectiveness of governance. Creation of the Code was reprioritized to 2022/23.</p> <p>a) Creation of a draft Local Code of Corporate Governance</p> <p>b) Review and adoption by the Audit &amp; Governance Committee</p>	Deputy Chief Executive	<p>September- December 2022</p> <p>February 2023</p>

## Appendix 2 – Review of the Action Plan for 2020/21

Governance Issue	Action to be taken	Responsible Officer	Outcome
Children's Services	The current Improvement Plan, dated October 2020, demonstrates that the service has sustained improvements achieved to date. This is in a background of continued upward demand in both the volume and complexity of casework as a direct consequence of COVID-19. The service has maintained grip and control of performance through weekly reporting on management oversight and virtual contact by team.	Corporate Director of Children's Services	Ofsted Inspection in December 2021 resulted in a "requires improvements to be good" judgement and the recommended actions are being implemented.
Governance	A Local Code of Corporate Governance to be developed and embedded in line with the CIPFA Delivering Good Governance Framework.	Director of Legal and Governance Services	Postponed to the Autumn of 2022 but preparatory work begun to create a draft for implementation by the end of 2022/23.
Governance	Complete a review of the Council's Shareholder arrangements for the Wholly Owned Companies. Review effectiveness of newly formed Stakeholder Group.	Director of Corporate Finance (\$151)	Completed March 2022. A Shareholder Committee – a committee of Cabinet – has been established to provide formal oversight to represent the Council's interest as shareholder. Additional guidance on conflicts of interests was drafted and considered by the Committee in October 2022.





## Audit and Governance Committee

<b>Date:</b>	23 November 2022
<b>Reference number:</b>	N/A
<b>Title:</b>	<b>Business Assurance Structure Update</b>
<b>Cabinet Member(s):</b>	N/A
<b>Contact officer:</b>	Maggie Gibb, Head of Business Assurance (& Chief Internal Auditor)
<b>Ward(s) affected:</b>	N/A
<b>Recommendations:</b>	Members are recommended to <b>note</b> the report.

### 1. Executive summary

- 1.1 The purpose of the report is to provide an update on the new Business Assurance structure.
- 1.2 The Business Assurance team has been through a service review process and the new structure went live on 1 November 2022.
- 1.3 The team now report into the Service Director for Legal and Democratic Services, and the Head of Business Assurance retains a “dotted line” reporting arrangement into the S151 Officer.

### 2. Content of report

- 2.1 The Audit and Governance Committee requested that an update on the new structure be presented to provide assurance that there will be sufficient capacity to deliver the required levels of risk management, audit, counter fraud, assurance and business continuity activity.
- 2.2 Please see report at Appendix A.

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

3.1 This should include information on the pros and cons of each option.

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

4.1 None.

### **5. Corporate implications**

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 None.

### **9. Background papers**

None



# Business Assurance Structure Update

Audit and Governance Committee

November 2022



# Introduction

- The Business Assurance Team (risk management, audit, fraud and insurance) was subject to a service review between Q3 21/22 and Q2 22/23.
- The Audit and Governance Committee requested that an update on the outcome of the service review be presented for information and to provide assurance that the team is adequately resourced to provide the appropriate levels of assurance to those charged with governance.

# Ambitions & drivers for change

- Ensuring all processes, procedures, and policies align to provide effective services that can meet the increased demand of the unitary council.
- Ensuring that temporary measures and the interim structure are reviewed and replaced with permanent, fit for purpose solutions.

**The Business Assurance Team vision is be a cohesive forward-thinking multi-strength team with a real focus on the needs of the service to ensure the best quality customer experience is delivered.**

**To create a risk based strategic assurance plan that dynamically identifies and supports in the response and management of risks being faced by the council. The Insurance service will be accountable and responsive through the provision of policies and advice with the aim of demonstrating best practice in everything that they deliver.**

# Summary of findings

The results and recommendations from the external reviews carried out by PWC and CIPFA, together with the findings from workshops and discovery work carried out as part of the service review has resulted in the following overall findings:

## **Insurance**

- Development of Insurance Strategy is required
- Succession plan is critical to bring in trainee level officers

## **Internal audit & assurance**

- Continues to integrate combined assurance model based on 'three lines of defence'
- Increase resource to reduce the current over-reliance on senior managers
- Reducing the number of audit days purchased from outsourced provider

## **Counter Fraud**

- Increase the size of the team so that it is sufficient to manage the risks of fraud and corruption

## **Risk Management & Business Continuity Management (BCM)**

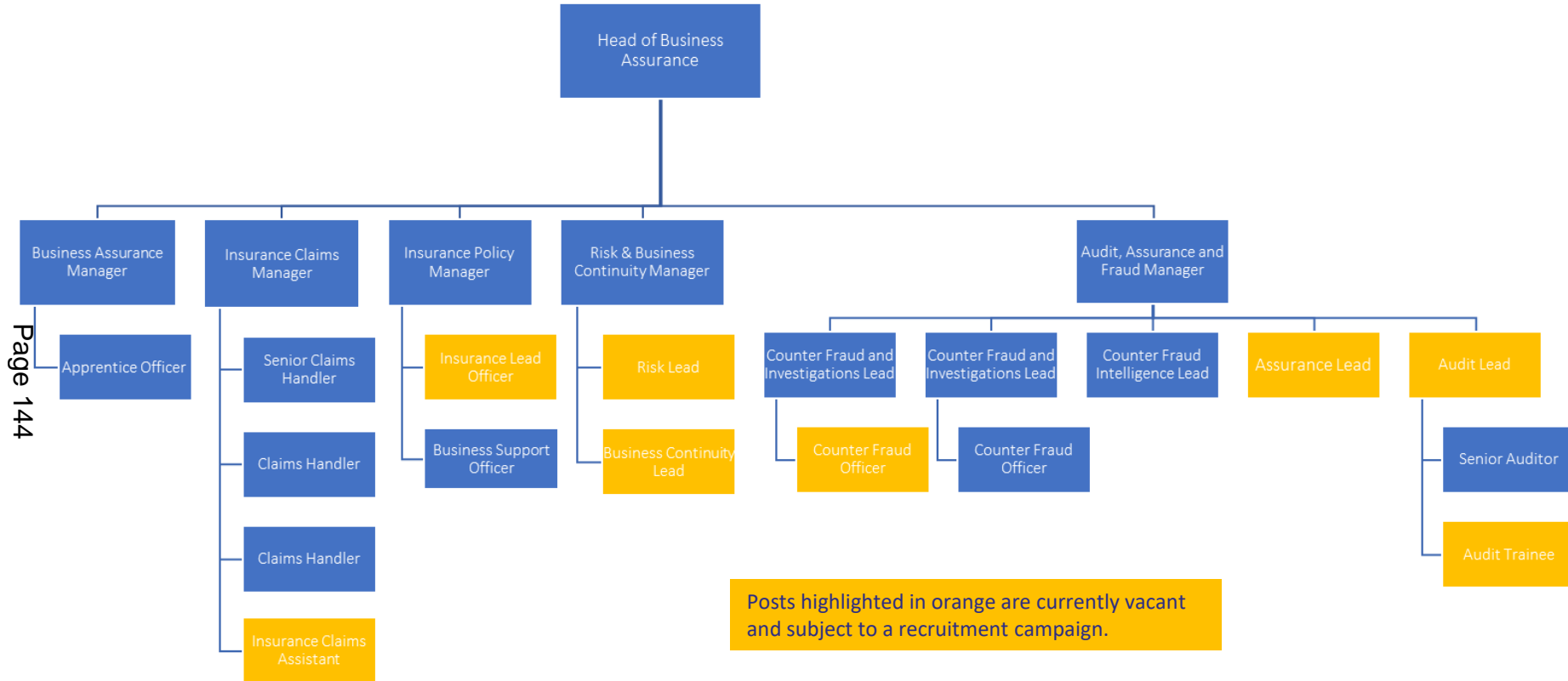
- Risk framework is sound but increased resource is required to enhance the Council's risk management maturity
- Focus on embedding effective and simplified BCM arrangements
- Aligning the BCM function with risk management

# Creating a fit for purpose Business Assurance Team structure

The business case proposed to:

- Realign the management capacity across the various functions
- Expand teams to provide the appropriate level of resource to deliver the service
- Provide greater career progression and encourage “grown your own” talent by introducing trainee and apprenticeship roles.
- Clearly defining roles and responsibilities
- Supporting the stabilisation of the service

# Business Assurance Structure (1 November 2022)







## Audit and Governance Committee

<b>Date:</b>	23 November 2022
<b>Reference number:</b>	N/A
<b>Title:</b>	<b>Risk Management Group Update</b>
<b>Cabinet Member(s):</b>	N/A
<b>Contact officer:</b>	Maggie Gibb, Head of Business Assurance (& Chief Internal Auditor)
<b>Ward(s) affected:</b>	N/A
<b>Recommendations:</b>	Members are recommended to <b>note</b> the report.

### 1. Executive summary

- 1.1 The purpose of the report is to provide an update on the Risk Management Group (RMG) meeting held on 7 November 2022.
- 1.2 The Council's Risk Management Framework including the Terms of Reference for the Risk Management Group was approved by the Audit and Governance Committee in June 2021.

### 2. Content of report

- 2.1 The Corporate Director for Adults and Health attended the meeting along with the Business Manager and Finance Business Partner.
- 2.2 The Adults and Health directorate has a well-established Risk Escalation Framework, with risk being a standing item at the senior leadership team meetings. All Risk Escalation Frameworks are due for review and update during Q3 of 2022/23 to ensure they remain fit for purpose.

2.3 The key risk themes were as follows:

- **Safeguarding:** Capacity to meet increased demand, particularly resulting from Covid lockdown.
- **Impact of national legislative change:**
  - Implementation of the social care reforms – which include a lifetime cap on the amount anyone will need to spend on their personal care; a more generous means-test for local authority financial support; and measures to stabilise social care market provision.
  - The introduction of the Liberty Protection Safeguards – a new procedure for when it is necessary to deprive someone of their liberty and the person lacks the mental capacity to consent. This replaces the current Deprivation of Liberty Safeguards (DoLS) procedure.
  - Inspection by the CQC of local authority social care provision.
- **Covid and health inequalities.**
- **Care market:** Maintaining diverse, stable care provider provision of good quality – for both council funded residents and self-funders.
- **Transformation:** Continued embedding of the strengths-based approach to practice and the case management system replacement; impact of demand pressures on delivery second phase of the transformation programme and other change.
- **Workforce recruitment and retention** and capacity to manage the vast amount of transformation work on top of pressurised day jobs.
- **Finances:** Reducing resources and managing demand; rising costs of care; financial impact of social care reforms.
- **Various White Papers on the integration of Health and Care** plus establishment of Integrated Care Boards.

2.4 The risks were discussed in detail, as well as the mitigating actions being challenged by the members.

2.5 Risks which had been de-escalated or closed were included in the report from the Adults and Health directorate.

2.6 The Corporate Director for Communities and the Service Director for Neighbourhood Services attended the meeting to provide the Risk Management Group with a detailed update on the review undertaken into the issues experienced following the southern waste round re-organisation.

2.7 An independent review had been carried out by Mazars, and members were given the opportunity to ask questions of the Associate Director, Christian Fell.

2.8 It was agreed that an update on progress against actions would be presented to the Risk Management Group in March 2023.

### 3. Other options considered

3.1 This should include information on the pros and cons of each option.

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

4.1 None.

#### **5. Corporate implications**

None

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

6.1 N/A.

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

7.1 N/A.

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

8.1 The next meeting of the Risk Management Group is to be held on 16 December 2022.

#### **9. Background papers**

None

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## Audit and Governance Committee

<b>Date:</b>	23 November 2022
<b>Reference number:</b>	N/A
<b>Title:</b>	2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan)
<b>Cabinet Member(s):</b>	N/A
<b>Contact officer:</b>	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
<b>Ward(s) affected:</b>	N/A
<b>Recommendations:</b>	<b>Members are recommended to note the report</b>
<b>Reason for decision:</b>	N/A

### 1. Executive summary

- 1.1 The report outlines the Internal Audit, Risk Management, Assurance and Counter Fraud work being undertaken by the Business Assurance Team for the year ending 31 March 2023.
- 1.2 The Council continues to work towards a combined assurance model, with Internal Audit operating as the third line of assurance. The 2022/23 Internal Audit, Risk Management, Assurance and Counter Fraud work plans were produced with reference to the strategic and directorate risk registers; and informed through discussion with Senior Leadership Teams for each directorate.

### 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 July 2022. Quarterly

reporting to directorate leadership teams/ boards, CMT and the Audit Board continue to take place to ensure that work plans are kept under continuous review to reflect emerging risks and priorities across the Council. 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.

2.2 Delivery of the Business Assurance work plans help ensure that there is an appropriate governance and control framework in place and the risk management is embedded across the Council to enable the achievement of set objectives. The Internal Audit Plan will continue 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 Progress against the approved Business Assurance 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 2022/23 Business Assurance Strategy and Internal Audit Plan.

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

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

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## **BUCKINGHAMSHIRE COUNCIL**

### **Business Assurance Update**

### **Progress against the Internal Audit Plan 2022/23**

Maggie Gibb

Head of Business Assurance (& Chief Internal Auditor)

November 2022

## Contents

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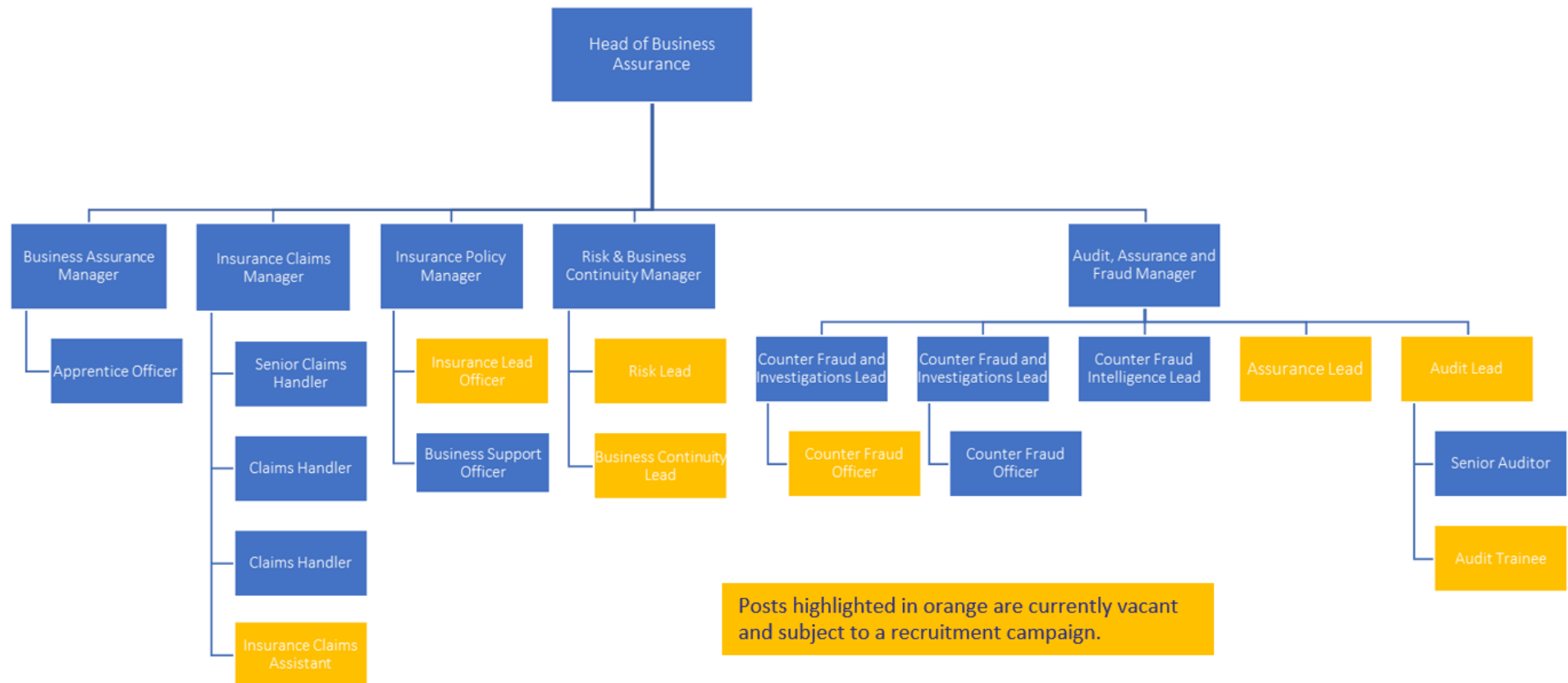
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## 1. Introduction

- 1.1 The Business Assurance Team is responsible for delivering the Council's Risk Management, Assurance, Internal Audit, Counter Fraud, Insurance services and most recently Business Continuity. The team operates under the Service Director for Legal and Democratic Services within the Deputy Chief Executive Directorate. The team continues to work towards implementing the Council's Assurance and Risk Strategy through delivery of work programmes which include; assurance reviews of the Council's financial and operational systems, computer audit reviews, corporate and social housing fraud investigations, fraud awareness, corporate governance and risk management reviews, and compliance reviews to check adherence to policies, procedures and systems.
- 1.2 This report outlines the work carried out by the Business Assurance Team for quarters two and three of 2022/23. The Internal Audit, Risk Management, Counter Fraud and Assurance work plans were produced with reference to the Strategic and Directorate Risk Registers and are prepared using a risk-based methodology. The plans were also informed through discussions with the Senior Leadership Teams for each Directorate, Heads of Finance, Section 151 Officer and the Deputy Chief Executive (Monitoring Officer). Plans are reviewed quarterly in conjunction with Strategic and Directorate Risk Registers and presented to the Audit Board for consideration and comment prior to being reported to this committee.
- 1.3 The Business Assurance work plans continue to be dynamic in nature as they remain flexible and evolve throughout the year to reflect; the changing risks faced by the Council, the maturity of the assurance framework and to meet the needs of unplanned demands, especially in the context of the response to and recovery from the Covid-19 pandemic; and other emerging 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.

## 2. Resources

- 2.1 Following the Service Transformation Review which was undertaken as part of the Better Buckinghamshire Programme, a new Business Assurance structure was developed and went 'live' from 1<sup>st</sup> November (see below). We continue to resource work plans with a mix of in-house staff and a partnership arrangement with the APEX London Audit Framework. This arrangement enables us to request specialist resource such as IT auditors and contract auditors, whilst allowing for a flexible approach that enables us to respond swiftly to urgent requests for resource such as for investigations.



### **3 Risk Management**

- 3.1 The Corporate Risk Management Lead returned from maternity leave in September and has continued to work on embedding risk management across Council with all Directorates ensuring that risks are identified and uploaded onto Pentana, the corporate risk management system in a timely manner. Work continue to review risks with services 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 This quarter the Business Assurance team will be working with services to gain greater visibility of how programme and project risks are being captured and escalated across the directorates. There will be greater focus on ensuring that programme and project leads have received their risk management training and are aware of how to capture and monitor their identified risks. The last meeting of the Risk Management Group was held on 7 November 2022, an update on this meeting will be provided in a separate report.
- 3.3 The Business Continuity Management (BCM) function is now being delivered alongside the Risk Management function, and work has commenced with the services to review and refresh their business continuity plans. The team have established a good partnering relationship with the Resilience Team and will continue this link going forward. A regular assurance reporting on BCM will be included in the Business Assurance Strategy update for the next committee meeting.

### **4. Internal Audit**

- 4.1 The Internal Audit Function, supported by Mazars (through the APEX London Audit Framework) has been progressing with the delivery of the approved 2022/23 audit assignments. Since the last Audit and Governance Committee meeting in September, the team have finalised six reports (three were carry-forward audits from FY21/22), six audits are at the fieldwork stage, 15 engagements are being scoped with fieldwork commencing in December and three grant certifications have been completed. From the approved plan, there is one 'new' audit from Children's Service which has been requested by the Corporate Director; and there is one audit engagement that we have recommended for deferment: Teachers Pension Audit. Teachers Pensions are in the process of moving all employers over to the new reporting system. This incorporates

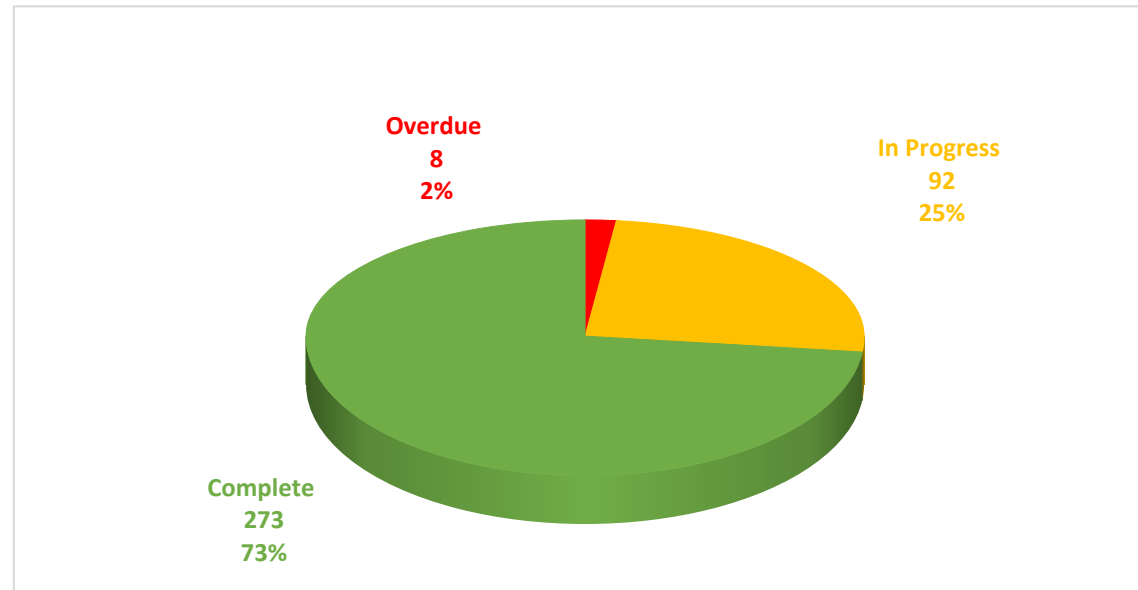
three existing processes into one which will eventually make submissions more accurate and help reduce the risk of incorrect variances between service and contribution data. The deadline for this should have been April 2022, but as Local Authorities went into discussions with their payroll providers it became more apparent that the complexities of the new Guidance were proving difficult to put into practice, due to this Teachers Pensions removed the deadline and is liaising with each authority to help resolve the issues. Buckinghamshire Council were not prepared to “go live” with the new system until our provider SAP (financial system) could guarantee a report which worked with little manual intervention. This is on-going and the plan is to move across to the new reporting system from January 2023. For these reasons we propose that the audit be undertaken as part of the FY2023/24 audit plan – see yellow highlight in Appendix 1 for changes to the Internal Audit Plan.

- 4.2 Through review of financial reports, complaints, Ofsted results and quarterly consultation with the Schools Improvement Team and Schools Finance; a School’s Audit Programme has been developed which has identified six schools to be subject to an audit this year. In order to identify the schools to be audited, each maintained school was risk assessed and those with a high ‘RAG’ rating are selected for an audit. The scope for the audit visits will be standard across all the schools and will review the following key risk areas; Governance and Leadership, Financial Management, Procurement, Income, Human Resources and Payroll, Business Continuity and Health and Safety.

An audit of William Harding School was conducted during quarter one, however there have been delays in finalising the report due to a number of reasons such as the school holidays (summer and half-term) further compounded by the large IT infrastructure change and key finance deadlines that the school must meet in October. We continue to liaise with the Head Teacher and a completion date has been agreed that we are working towards.

- 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. The chart below provides a summary on the implementation status of the audit actions:

### Summary Status of Management Actions



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 were reported to the Corporate Management Team (CMT) on 10 November 2022. There are only eight out of 373 (2%) audit management action which are overdue for implementation. Of the nine actions:

- Two are held within Resources and are finance related actions, and
- Six actions are owned by Children's Services and are all related to SEND Service.

- 4.6 The Audit Board, chaired by the Service Director of Finance (S151), reviewed progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan at a meeting held on 14 November 2022. Appendix 1 shows the current progress updated against the Internal Audit Plan.

## 5. Business Assurance

- 5.1 **Covid Grants**: The Business Assurance Team continue to progress with the COVID grant assurance as the requirements from central government for returns, reconciliations and pre/post assurance checks continue. The team liaise with the services and support in the collation of the required returns, reconciliations and certification where required. Since the last update to this committee three returns have been completed in line with guidelines and agreed deadlines. One grant reconciliation return is currently in progress and one post- payment assurance return is being completed.
- 5.2 **Revenues and Benefits System Implementation**: During quarters two and 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 (South Bucks and Chiltern) into Northgate and Info@Work is completed accurately and on time. AVDC and WDC migration assurance activity was undertaken in phase one, as such the same approach was taken for this implementation phase. This work 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 identified are timely reported and rectified.
- 5.3 **Better Buckinghamshire Programme Assurance**: As part of the Better Buckinghamshire Programme (“the programme”), Services will be reviewed and restructured to identify the optimum model of delivery. The programme will seek to drive innovation in services designed, harness the opportunities of technology, and improve the customer experience.



This review will provide assurance over the key organisational design principles of the programme with focus on Legal Services, Customer Service Centre, Highways & Technical Services and Economic Growth & Regeneration Services. Through deep dives of these four services who are currently at the improvement phase of the transformation the team will:

- Hold interviews with selected programme leaders from across the teams to identify status against original plan.
- Conduct a document review to determine the current status of the programme for each service against the expected timeline, this includes any key deliverable post service structure go-live.
- Review the Business Cases and evaluate the alignment of the approved service model to against the current structures. This will include (but not limited to):
  - The vision, purpose and offer.
  - Management structure and proposed roles.
- Review the service improvement plans and evaluate the progress being made to implement required actions and the monitoring arrangements in place to ensure that progress is being made. Ensure the improvement plans is centered around providing an effective, efficient offering that delivers a customer-focused service, and makes effective use of data and IT systems in service delivery.
- Determine if there is a mechanism to monitor and identify change programmes within the service that impact that initial design model per the service review. Assess how these changes are reported and signed off before implementation.
- Establish if/ how challenges or issues being faced by the service following the restructure are being reported and monitored. Evaluate adequacy of current operating model in light of any challenges/ issues and determine if the approved model is the optimal structure for the service.
- Evaluate the efficiencies and savings to be delivered by the service as identified in the business case and establish how these will

be realised, what monitoring arrangements are in place and if the required savings are included within the service budget.

- Provide recommendations to improve project delivery, governance and risk mitigation in line with the principles of the programme.

## 6 Counter Fraud

6.1 The Business Assurance Team has been working closely with the Revenues and Benefits Teams to investigate any potentially fraudulent Business Rate Grant Claims.

Business Rate Grant applications referred to Business Assurance	49 (0 this month)
Additional Restrictive/Restart Grant applications referred to Business assurance	56 (0 this month)
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 September 2022.	5  One case is currently awaiting a trial (which was scheduled for w/c 26 September 2022 – awaiting court relisting), one case was sentenced and received a £21k fine in January 2022. A further case was heard in Court on 8 August 2022, the defendant pleaded not guilty and so the case will go to trial in January 2023. Two other cases have prosecution files currently being prepared.

### Other cases currently under investigation are as follows:

- Council Tax Reduction cases received this month – four; and currently investigating 12 in total.
- Single Person Discount cases received this month – three; and currently investigating eight in total.

- Blue Badge cases received this month one; currently investigating one in total.
- Disabled Facilities Grant received this month – zero; referrals closed this month – two, currently investigating zero in total
- Housing Fraud cases received this month - two, currently investigating ten in total.
- Planning application fraud cases received this month - one, currently investigating zero.
- Insurance case received this month – zero, currently investigating one.
- School admissions cases received this month - zero, currently investigating one.
- Adult Social Care cases received this month - zero, currently investigating one.
- Council Tax liability cases received this month – zero, investigating one.
- Identity fraud cases received this month – zero, investigating zero.
- Omicron Grant cases received this month – zero, investigating three in total.
- Phishing scams or attempts this month: zero
- Direct payment cases received this month – zero, investigating one.
- Credit card misuse case received this month – zero, investigating zero.
- Building Control case received this month – zero, investigating zero.
- Requests for information: one.
- Several early morning visits have been completed with different Registered Housing Providers recently – namely Paradigm, Fairhive (previously Vale of Aylesbury), and Thrive Homes, to assist with reports of housing fraud, forging stronger links with the housing providers in the area. Furthermore, a newly formed Tenancy Fraud Forum was held on 14 September at the Wycombe office. It was attended by Housing providers and Local Authorities - this was arranged in partnership with Hertfordshire and Oxfordshire Councils.

## Appendix 1 - Summary of Internal Audit Activity

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Corporate				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	
Cross-cutting	Assurance Framework	Develop a means of identify and mapping the main source of assurance across the Council and coordinating them to best effect.	N/A	
	Covid-19 Pre and Post Payment Assurance Plan	Undertake require assurance reviews and returns in line with government requirements.	N/A	
	Grants	Undertake grant certification in line with grant conditions	N/A	
Deputy Chief Executive				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Policy & Communications	GDPR	Deferred from 21/22 plan. To ensure that the Council is compliant with GDPR requirements. To ensure that there is adequate process for the identification, review and reporting of a personal data breach.	HIGH	Fieldwork in-progress
Policy & Communications	Complaints	Deferred from 21/22 plan. To ensure that there are robust and effective systems are in place for the complete, accurate and timely recording, processing, and acknowledging of complaints. Including effective monitoring framework, which delivers accurate, timely and relevant information for management review.	HIGH	Completed
Legal & Dem Services	Legal Processes	Deferred from 21/22 plan. To ensure that there are adequate arrangements in place for the services to engage with the legal team, cases are recorded, monitored and costs tracked appropriately.	LOW	Not started
Policy & Communications	Community Boards	Deferred from 21/22 plan. To evaluate the governance arrangements, risk management and financial management is adequate, transparent and board objectives are monitored and reported on.	HIGH	Fieldwork in-progress
Policy & Communications	Devolution	Deferred from 21/22 plan. To evaluate the processes and procedures in place to ensure an effective transfer of services and assets to town and parish councils in line with the approved policy.	LOW	Not started
Service Improvement	Corporate Performance Framework	To assess the adequacy of the Council’s performance and reporting arrangements.	LOW	Not started
Service Improvement	Helping Hand Programme Assurance	Evaluate the delivery of the programme and ensure that objectives are met, risks are adequately managed and value for money is evident.	MEDIUM	Not started
Service Improvement	Better Buckinghamshire Programme Assurance	Ensure that the programme is effectively managed to deliver set objective in a timely manner and within budget.	MEDIUM	Fieldwork in-progress

Adults & Health				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Integrated Commissioning	Direct Payments	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Audit scoping in-progress
Adult Social Care	Continuing Health Care:	End to end process review evaluating arrangements in place with the CCG (includes client assessment/ eligibility and financial management). This will be scheduled following the peer review by LGA.	HIGH	Audit scoping in-progress
Adult Social Care	Seeleys Establishment Audit	Review of compliance with practice and set process and manuals. Work to be undertaken ahead of next CQC inspection to demonstrate progress against the improvement plan	MEDIUM	Audit scoping in-progress
Integrated Commissioning	Disability Facilities Grant	Grant verification in line with the terms and conditions.	N/A	Not started
Integrated Commissioning	Commissioning and Financial Management of Spot Contracts	End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Audit scoping in-progress
Integrated Commissioning	E-brokerage	End to end process reviewing adequacy and effectiveness of controls in place.	MEDIUM	Not started
Public Health	Joint Strategic Assessment.	Focus of review to be agreed with the service	TBC	Not started
Finance	A&H Debt Recovery (Unsecured Debt)	As debt recovery was paused during the pandemic and the debt recovery process has been moved to Finance Operations team, the audit will be reviewing adequacy and effectiveness of controls	MEDIUM	HIGH
Children's Services				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Education	Schools Thematic Review	Review of key controls for sample of schools selected per the risk assessment.	HIGH	Fieldwork in-progress
Social Care	Direct Payments (including clawbacks)	End to end process reviewing adequacy and effectiveness of controls in place	HIGH	Audit scoping in-progress
Social Care	Placement and Panel Decisions	There is an increase in spend within placements and assurance is required that controls are adequate. Requested by the Corporate Director.	HIGH	Not started
Education	SEND Ofsted Improvement Plan Assurance	Evaluate the completeness adequacy of the improvement plan against the findings raised in the Ofsted report.	MEDIUM	Not started
Social Care	Social Care Ofsted Improvement Plan Assurance	Evaluate the completeness adequacy of the improvement plan against the findings raised in the Ofsted report.	MEDIUM	Completed
Education	SEND Process review – Focused on ECCOH	End to end review of processes and evaluation of controls to identify inefficiencies in process and improvements to data quality.	HIGH	Not started
Social Care	Section 17 Payments	End to end process reviewing adequacy and effectiveness of controls in place.	MEDIUM	Audit scoping in-progress
Social Care	Supported Families Programme	Grant Verification	N/A	On-going

<b>Education</b>	<b>Related Party Transaction Assurance (SFVS)</b>	verification work in line with DfE guidance	<b>N/A</b>	Not started
<b>Communities</b>				
<b>Service</b>	<b>Audit Title/ Activity</b>	<b>Objectives/Risk/Concerns</b>	<b>RAG Per Model</b>	<b>Status Update</b>
<b>Highways &amp; Technical Services</b>	<b>Parking On/Off Street</b>	End to end review of processes and evaluation of controls on the new system.	<b>HIGH</b>	<b>Fieldwork in-progress</b>
<b>Transport Services</b>	<b>Home to School Transport</b>	End to end review of processes and evaluation of controls on the new system.	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>Neighbourhood Services</b>	<b>Household Recycling Centres</b>	New contract in place, review of processes at the HRC; and contract management with new contractor.	<b>MEDIUM</b>	Not started
<b>Neighbourhood Services</b>	<b>Business Licenses and Permits – Process review</b>	End to end review of processes and evaluation of controls on the new system.	<b>LOW</b>	Not started
<b>Neighbourhood Services</b>	<b>Waste Management</b>	End to end review of processes and evaluation of controls on the new system.	<b>HIGH</b>	Not started
<b>Culture, Sports &amp; Leisure</b>	<b>Higginson Park</b>	Financial Controls Audit	<b>LOW</b>	<b>Audit scoping in-progress</b>
<b>Culture, Sports &amp; Leisure</b>	<b>Farnham Park</b>	Financial Controls Audit	<b>LOW</b>	<b>Audit scoping in-progress</b>
<b>Highways &amp; Technical Services</b>	<b>New Highways Contract Assurance</b>	Provide assurance on the processes being proposed for the new contract arrangement	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>Planning, Growth &amp; Sustainability</b>				
<b>Service</b>	<b>Audit Title/ Activity</b>	<b>Objectives/Risk/Concerns</b>	<b>RAG Per Model</b>	<b>Status Update</b>
<b>Housing &amp; Regulatory Services</b>	<b>Enforcement (Housing)</b>	Audit deferred from 21/22 audit plan. End to end process reviewing adequacy and effectiveness of controls in place.	<b>MEDIUM</b>	Not started
<b>Housing &amp; Regulatory Services</b>	<b>Homelessness and Temporary Accommodation</b>	Audit deferred from 20/21 & 21/22 audit plan, merged with Temporary Accommodation audit. This area has not been looked at before and it's a high-profile area in terms of the significant financial spend and reputational risk resulting from housing people in temporary and emergency accommodation for lengthy periods	<b>HIGH</b>	<b>Fieldwork in-progress</b>
<b>Planning &amp; Environment</b>	<b>Building Control</b>	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing including finance, regulatory compliance and performance.	<b>MEDIUM</b>	Not started
<b>Property &amp; Assets</b>	<b>Property Maintenance</b>	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing adequacy and effectiveness of controls in place.	<b>HIGH</b>	Not started
<b>Property &amp; Assets</b>	<b>Property – Reactive Works</b>	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing adequacy and effectiveness of controls in place.	<b>HIGH</b>	Not started

<b>Housing &amp; Regulatory Services</b>	<b>Disability Facilities Grant (Use of the funding)</b>	Audit deferred from 20/21 & 21/22 audit plan. Review the process for commissioning housing adaptations and the use of the DFG fund. To include review of contractors used, VfM.	<b>MEDIUM</b>	Not started
<b>LEP</b>	<b>LEP &amp; BBF Assurance</b>	Evaluation of key financial controls	<b>MEDIUM</b>	Not started
<b>Strategic Transport &amp; Infrastructure</b>	<b>Project Assurance</b>	Strategic Transport & Infrastructure review of project management controls include reporting and escalation arrangements in place within the service.	<b>HIGH</b>	<b>Completed</b>
<b>Finance</b>	<b>K2 Systems Audit</b>	Large volume and value of transactions processed; therefore an evaluation of key controls will be undertaken.	<b>HIGH</b>	Not started
<b>Resources</b>				
<b>Service</b>	<b>Audit Title/ Activity</b>	<b>Objectives/Risk/Concerns</b>	<b>RAG Per Model</b>	<b>Status Update</b>
<b>Business Operations</b>	<b>Blue Badges, Administration and Enforcement</b>	To ensure that badges are only issued to residents who satisfy one or more of the eligibility criteria (as updated by the Disabled Persons (Badges for Motor Vehicles) (England) (Amendment) Regulations 2019 (S.I. 2019 No. 891) on 30 August 2019 to include 'hidden' disabilities) set out in the legislation that governs the scheme.	<b>LOW</b>	<b>Audit scoping in-progress</b>
<b>Business Operations</b>	<b>Business Support – Accounts Payable and Accounts Receivables</b>	Review of financial controls and compliance to corporate procedures.	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>Business Operations</b>	<b>Shop4Support</b>	End to end sales process review	<b>MEDIUM</b>	Not started
<b>HR &amp; OD</b>	<b>Teachers Pensions – new system in place</b>	<b>New system in place, review process and controls in place</b>	<b>MEDIUM</b>	<b>Defer to 2023/24</b>
<b>HR &amp; OD</b>	<b>Payroll Follow-up</b>	Ensure that the actions from the 2021/22 audit have been fully implemented.	<b>MEDIUM</b>	Not started
<b>HR &amp; OD</b>	<b>Learning and Development</b>	To review organisational spend on learning and development to ensure consistency and quality of training.	<b>HIGH</b>	Not started
<b>Finance</b>	<b>Capital Programme</b>	To ensure business cases are adequate, approved and projects on the programme are sufficiently monitored.	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>Finance</b>	<b>Procurement Compliance</b>	Ensure that procurement rules are clearly documented and followed in all procurement exercises.	<b>MEDIUM</b>	<b>Audit scoping in-progress</b>
<b>Finance</b>	<b>Year End Assurance - Journals and Accruals</b>	Compliance with financial controls	<b>LOW</b>	Not started
<b>Finance</b>	<b>Pensions</b>	Evaluation of key controls	<b>LOW</b>	Not started
<b>Finance</b>	<b>Completeness and Effectiveness of the Finance Assurance Pack</b>	Evaluation of the adequacy of controls monitoring and assessment on the effectiveness of the assurance pack.	<b>MEDIUM</b>	Not started
<b>Finance</b>	<b>Scheme of Delegation – Financial and Non-Financial delegations</b>	Evaluation of the Scheme of Delegation to ensure that these are understood by all and complied with when making decisions.	<b>MEDIUM</b>	Not started
<b>Finance</b>	<b>Council Tax</b>	Evaluation of key financial controls	<b>HIGH</b>	<b>Audit scoping in-progress</b>

<b>Finance</b>	<b>National Non-domestic Rates</b>	Evaluation of key financial controls	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>Finance</b>	<b>Council Tax Reduction Scheme/Housing Benefits</b>	Evaluation of key financial controls	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>Finance</b>	<b>Key Financial Systems</b>	Evaluation of key financial controls	<b>MEDIUM</b>	<b>Not started</b>
<b>IT</b>	<b>IT/Infrastructure Resilience – Per Audit Needs Assessment</b>	A number of IT/Infrastructure resilience-related risks feature in the Council's IT Risk Register. The audit will address; consideration of the impact of the pandemic on IT/infrastructure resilience, People, process and technology perspective, including a high-level review of the IT architecture and technology in place.	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>IT</b>	<b>Disaster Recovery and Backups – Per Audit Needs Assessment</b>	Disaster recovery was noted as having a residual risk score of 10 in the Council's IT risk register with a fully tested strategy and plan required to provide the Council assurance that full business continuity can be provided. This audit would test controls in regard to backup scope, frequency, offsite location, testing and recovery.	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>IT</b>	<b>Change/Patch Management</b>	This audit will consider the following: - Change to infrastructure and applications are governed through a consistent policy/process; - The change process addresses the request, impact, authorisation, testing, deployment of changes; - Comparison with LG peers concerning good change control practice commonly identified; - Patch management is undertaken across the estate in a complete, accurate and timely manner.	<b>HIGH</b>	<b>Audit scoping in-progress</b>
<b>Counter Fraud Plan</b>				
<b>Proactive/ Probity Activity</b>	<b>NFI data matches</b>	Support services with collating the NFI data and determining an approach for prioritising the instances that require investigation.		
	<b>Blue badge abuse</b>	Investigate blue badges that have been in place for long periods and ensure that these are valid.		
	<b>Covid grant recovery</b>	Undertaking post payment assurance and identify and investigate instances of possible false claims		
	<b>Schools</b>	Lessons learnt from 21/22 investigations to be shared with all schools and presented via schools forum.		
	<b>Fraud awareness training</b>	Hold formal sessions to groups across the Council to raise awareness of what the Business Assurance Team's responsibilities are in relation to fraud and counter-fraud, different types of fraud, fraud risks, whistleblowing procedures etc.		
	<b>Internal Communication on Fraud</b>	Send messages across the Council to promote 'good practice' and raise awareness of potential indicators of fraud and staff responsibilities.		
	<b>Policy Reviews</b>	Review and refresh the key fraud policies, including; Anti-Fraud and Corruption Policy.		
<b>Reactive Activity</b>	<b>Assess cases referred via whistleblowing channels and investigate where necessary.</b>			
<b>Continuous Improvement</b>	<b>Embed the case management system</b>			
	<b>Fraud networking and chairing of key networks</b>			
<b>External Clients</b>				<b>No. of Days</b>
<b>BMKFA</b>	Audit plan approved and date for audit delivery agreed with the clients. Plan to be delivered by February 2022 ahead of their external audit.			110
<b>Academies</b>	Audit plans approved and key days for audit delivery agreed with the Academies			30



Date	Items
28 July 22	<ol style="list-style-type: none"> <li>1. Action log</li> <li>2. Appointments to the Risk Management Group Verbal Report</li> <li>3. 20/21 Accounts Verbal Update</li> <li>4. Treasury Management Annual Report 2021/2022</li> <li>5. Annual Governance Statement Verbal Update</li> <li>6. Internal Audit Charter</li> <li>7. Work programme</li> <li>8. 2022/23 Business Assurance Strategy (including Internal Audit Plan)</li> <li>9. Business Assurance Strategy Update (Q1)</li> <li>10. Contract Procedure Rules - Waivers &amp; Breaches (part confidential)</li> <li>11. 21/22 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)</li> </ol>
27 September 22	<ol style="list-style-type: none"> <li>1. Action log</li> <li>2. Buckinghamshire Council Statement of Accounts 20/21</li> <li>3. Farnham Park Sports Fields Charity Annual Report and Financial Statements 21/22</li> <li>4. Higginson Park Trust Fund Accounts 21/22</li> <li>5. 21/22 Annual Report of the Chief Internal Auditor</li> <li>6. 22/23 Business Assurance Strategy Update</li> <li>7. Audit Committee – Review of Effectiveness</li> <li>8. Annual Governance Statement – Process</li> <li>9. Risk Management Group Update</li> <li>10. Work Programme</li> <li>11. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)</li> <li>12. 21/22 Annual Report of the Chief Internal Auditor - Summary of Completed Audits and Audit Action Tracker (confidential)</li> </ol>

23 November 22	<ol style="list-style-type: none"> <li>1. Buckinghamshire Council Statement of Accounts 20/21 and 21/22 Update</li> <li>2. External Audit Risk Assessment</li> <li>3. Buckinghamshire Council Pension Fund Accounts 21/22 Update</li> <li>4. Treasury Management Mid-Year update</li> <li>5. Treasury Management loans to other local authorities</li> <li>6. Annual Governance Statement</li> <li>7. Business Assurance team structure update</li> <li>8. Risk Management Group update</li> <li>9. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan)</li> <li>10. Work programme</li> <li>11. Action log</li> <li>12. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)</li> </ol>
1 February 23	<ol style="list-style-type: none"> <li>1. Buckinghamshire Council Statement of Accounts 20/21 and 21/22 Update</li> <li>2. Annual Business Continuity Management Update</li> <li>3. Risk and Business Continuity Management Strategy</li> <li>4. Whistleblowing Policy</li> <li>5. Anti-Fraud and Corruption Policy</li> <li>6. Anti-Money Laundering Policy</li> <li>7. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan)</li> <li>8. Contract Procedure Rules - Waivers &amp; Breaches (part confidential)</li> <li>9. Work Programme</li> <li>10. Action Log</li> <li>11. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)</li> </ol>
29 March 23	<ol style="list-style-type: none"> <li>1. Audit Committee – Review of Effectiveness</li> </ol>
10 May 23	<i>Items TBC</i>

# Audit and Governance Committee action log

Last updated: 15 November 2022

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
1	<b>Local Member Engagement</b> That an update be provided on assessing member engagement in Cabinet and Cabinet Member decisions. This piece of work may be undertaken by the newly in post Principal Governance Advisor. Consideration should also be given to sharing this report with the Finance and Resources Select Committee.	Maggie Gibb / Governance Officer	25-Jan-22	30-Jun-22	<b>Update Sept 22:</b> Work to be progressed as part of Corporate Governance review being undertaken by Principal Governance Advisor. <b>Update Nov 22:</b> Work to be achieved by end of March 2023; initial scoping taking place with Deputy Monitoring Officer and to be taken forward by Principal Governance Officer.		Ongoing
2	<b>Treasury Management Annual Report</b> That a table be circulated to provide greater context to borrowing costs and financial performance referred to within the officer report presented to the meeting on 28 July	Julie Edwards	28-Jul-22	01-Sep-22	<b>Update Sept 22:</b> The table has been drafted and will be issued to members by 23/09 <b>Update November:</b> Table sent to all members on 14/11/22		Complete
Page 171	<b>Draft Annual Governance Statement</b> To seek views from Committee Members on the contents of the Annual Governance Statement 2021/22	Glenn Watson	28-Jul-22	14-Oct-22	<b>Update Sept 22:</b> Committee member views sought 10/08/22. Two responses received from the Chairman & Vice Chairman. Comments included in the draft AGS 2021/22 for Committee on 27/09/22. <b>27/09/22:</b> Deadline for comments extended to 14 October. <b>Update Nov 22:</b> Following the September Committee meeting, members of the Committee were re-consulted on a revised draft AGS - on 18 and 28 October. Comments were made by Cllr Clarke and Cllr Newcombe (deputy chair and chair). Comments incorporated and final revised version agreed by Deputy Monitoring Officer and Monitoring Officer and indicative supporting comment from Cllr Newcombe. To be considered again by Committee on 23/11.		Ongoing
4	<b>Business Assurance new team structure</b> To present the new team structure, following service review to the Committee at its meeting on 27 September	Maggie Gibb	28-Jul-22	27-Sep-22	<b>Update Sept 22:</b> Consultation completed and agreed structure goes live 1st November. This will be presented at the next committee in November. <b>Update Nov 22:</b> Paper included for A&G committee meeting on 23 November.		Complete
5	<b>Farnham Park Sports Field Charity and Higginson Park Trust</b> To ensure that the 22/23 accounts, and subsequent years are signed by a separate officer to the S151 officer on behalf of the Council as Trustee	Dave Skinner	27-Sep-22	01-Apr-23	<b>Update Nov 22:</b> Alternative officer being considered		Ongoing

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
6	<b>2021/22 Statement of Accounts</b> To assess early indication of external audit work required on the accounts and whether an additional A&G meeting should be scheduled in December/January	Dave Skinner / Maggie Gibb	27-Sep-22	31-Oct-22	<b>Update Nov 22:</b> Verbal update to be provided as part of the update on accounts		Ongoing
7	<b>Treasury Management Training Session</b> Length of the next meeting to be extended by an hour to allow time for the training session	Leslie Ashton	27-Sep-22	10-Oct-22	<b>Update Nov 22:</b> Training session booked		Complete

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