

**Central  
Bedfordshire  
Council  
Priory House  
Monks Walk  
Chicksands,  
Shefford SG17 5TQ**



**TO EACH MEMBER OF THE  
AUDIT COMMITTEE**

20 July 2009

Dear Councillor

**AUDIT COMMITTEE - Monday 27 July 2009**

Further to the Agenda and papers for the above meeting, previously circulated, please find attached the following information which was marked to following on the main agenda:-

**10. South Bedfordshire District Council Statement of Accounts  
2008/09**

Please find attached the South Bedfordshire District Council  
Statement of Accounts.

Should you have any queries regarding the above please contact Democratic Services on  
Tel: 01462 611032.

Yours sincerely

Martha Clampitt,  
Democratic Services Officer  
email: [martha.clampitt@centralbedfordshire.gov.uk](mailto:martha.clampitt@centralbedfordshire.gov.uk)

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# **SOUTH BEDFORDSHIRE DISTRICT COUNCIL**

## **STATEMENT OF ACCOUNTS 2008/09**

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## EXPLANATORY FOREWORD

### **Introduction**

The purpose of this foreword is to provide a guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 2009. Its aim is to give electors, local taxpayers, Council members, and any other interested parties clear information on the overall finances of the Council. It gives a brief summary of the overall financial position of the Council, and sets out how the Council's budget is spent and financed.

In March 2008, the Government announced its decision to create two unitary authorities in Bedfordshire to replace the current two tier system. These changes were given effect by the Bedfordshire (Structural Changes) Order 2008, which abolished Bedfordshire County Council, Mid Bedfordshire District Council, and South Bedfordshire District Council. From 1 April 2009, as a continuing authority, Bedford Borough Council took over the services and operations of the County Council in the Bedford geographical area of the country. In the Mid Bedfordshire and South Bedfordshire areas of the county, all local government services and operations will be provided by the newly established Central Bedfordshire Council.

As a result of reorganisation, additional costs have been incurred by the Council in 2008/09, and these are explained in notes to the financial statements. The implications of reorganisation are also referred to in a number of other areas of the statement.

The format of this document complies with that recommended by the Chartered Institute of Public Finance and Accountancy in its Code of Practice on Local Authority Accounting in the United Kingdom (2007).

The accounting statements that comprise the Council's statutory Statement of Accounts include the following:

The **Explanatory Foreword** sets out a comparison in summary form of the Council's General Fund and Housing Revenue Account and provides a brief explanation of any significant variation. A statement of capital expenditure, and the sources of finance is also shown.

The **Statement of Accounting Policies** describes the main principles used in maintaining the Council's accounts.

The **Income & Expenditure Account Summary** reports the net cost for the year of all the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from taxpayers. As this is the last year of operation of South Beds, the Income and Expenditure Account shows all income and expenditure as "Discontinued Operations/Services."

The **Statement of Movement on the General Fund Balance** lists the 'other' elements, in addition to the movement on the Income and Expenditure Account, that contribute to the year on year changes to the General Fund Balance.

The **Statement of Total Recognised Gains and Losses (STRGL)** lists the 'other' elements, in addition to the gains and losses realised in the Income and Expenditure Account, that contribute to the overall financial result for the period.

The **Balance Sheet** shows the value of the Council's assets, its overall indebtedness to others, and the state of its reserves.

The **Cash Flow Statement** summarises the inflows and outflows of cash arising from transactions with other organisations, individuals and other third parties for revenue and capital purposes.

The **Housing Revenue Account Summary** shows the Council's expenditure and income for the provision of Council housing only, which is controlled by legislation.

The **Collection Fund Revenue Account Summary** reflects the statutory requirement to maintain a separate Collection Fund. It shows the transactions in relation to non-domestic rates and council tax and illustrates how these have been distributed between the County Council, the Police Authority, the Fire Authority and South Bedfordshire District Council.

The **Statement of Responsibilities for the Statement of Accounts** outlines the authority's and the responsible finance officer's responsibilities when preparing the accounts.

The **Annual Governance Statement** outlines the Council's main systems of internal control and any resultant actions arising for the next year.

### **Further Information**

Additional information about these accounts is available from the Director of Corporate Resources, Central Bedfordshire Council, Priory House, Monks Walk, Chicksands, Shefford SG17 5TQ. This reflects the Council's policy of providing as much information as possible about the conduct of its affairs. In addition, members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts for this inspection is advertised each year in the local press.

**Revenue Expenditure for 2008/09**

For 2008/09 the net expenditure on services on the General Fund Revenue Account was £15,320 million. This was £0.587m less than the original estimate upon which the council tax was based, as shown in the table below.

	<u>Original</u> <u>Estimate</u> £m	<u>Actual</u> £m	<u>Difference</u> £m
Net Expenditure on Services	15.906	15.319	(0.587)
Local Authority Business Growth Incentive Scheme	-	0.288	0.288
Parish precepts	4.213	4.213	-
LGR Transition Costs	-	0.686	0.686
Total net expenditure	<u>20.119</u>	<u>20.506</u>	<u>0.387</u>
<u>Less</u>			
Council Tax Levy	(11.076)	(11.076)	-
Revenue Support Grant	(1.070)	(1.070)	-
Local Authority Business Growth Incentive Scheme	-	(0.288)	(0.288)
Contribution from National Non-Domestic Rate Pool	(7.689)	(7.689)	-
Collection Fund Surplus	-	-	-
Contribution from (-)/to balances	(0.284)	(0.383)	(0.099)
Total	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>

As at 31st March 2009, after meeting transition costs associated with implementing Central Bedfordshire, the General Fund Revenue Account has a balance of £927,000 which will transfer to Central Bedfordshire.

**Variance Analysis 2008/09 Original Budget/Actual**

	<b>Variance</b> <b>£,000</b>
Litter & Street Cleaning - Increased Costs	49
Industrial Estates - Reduced Income	76
Development & Building Control - Reduced Income	219
Concessionary Fares - Adjustment re: 2007/08 expenditure	(78)
Housing Benefits - Increased subsidy from 2007/08	(361)
Local Land Charges - Reduced Income	172
Pension Costs - Reduced contribution rate	(139)
Variances on Corporate Costs and Targets	283
Homelessness - increased costs	100
Financing Adjustments	(271)
Council Tax Court Costs- Increased Income	(33)
Increased Investment Income	(126)
Reduced cost of Rural Lighting	(52)
Housing Improvement Grant - Increased Govt Grant	(190)
Other variances	(236)
<b>Net Expenditure on Services - Total Variance</b>	<b>(587)</b>

**2008/09 Housing Revenue Account**

For 2008/09 the expenditure and income on the Housing Revenue Account (HRA) was £20.05m and £20.58m respectively which gave rise to a £0.48m variation to the original 2008/09 budget as set out below:

	Original Estimate £m	Actual £m	Difference £m
Expenditure	20.48	20.05	(0.43)
Income	<u>(20.53)</u>	<u>(20.58)</u>	<u>(0.05)</u>
Balance	(0.05)	(0.53)	(0.48)
Contribution to HRA balances	<u><u>(0.05)</u></u>	<u><u>(0.53)</u></u>	<u><u>(0.48)</u></u>

The main variations from the original budget are:

	£'000
Reduced consultation costs	(42)
Removal of vacancy target re staffing costs	60
Lower than anticipated Supporting People Grant income	37
Reduced rental income at the Homeless Hostel	55
Additional expenditure re agency staff	47
Reduced expenditure re Choice Based Lettings	(60)
Additional expenditure re Community Alarm Console	66
Reduced expenditure re void properties	(268)
Reduced interest income	117
Increase in required bad debt provision	119
Increased payment to DCLG re Housing Subsidy	70
Variation to dwelling rents	(407)
Reduced income as a result of void housing rent loss	302
Removal of revenue contribution to capital	(343)
Reduced expenditure on recharges	(152)
Other variations	(81)
Total variation Housing Revenue Account 2008/09	<u><u>(480)</u></u>

As at 31st March 2009 the Housing Revenue Account had a balance of £4.04m available to assist with future years expenditure.

**Capital Expenditure for 2008/09**

For 2008/09 the Council spent £9.49m on capital projects. This is expenditure which in simple terms will benefit the authority for more than one year, and is closely defined in the Local Government Act 2003 and regulations made under that Act. This amount relates to the following areas of activity:-

<u>General Fund Revenue Account:-</u>	£'000
Disabled Facilities and Renovation Grants	561
Housing Association Assistance	994
Leisure Projects	249
Rural Projects	22
Environmental Schemes	529
Policy Projects	974
	<u>3,329</u>

This expenditure was financed as follows:	£'000
Reserves	304
Use of Capital Receipts	2,377
Grants	648
	<u>3,329</u>

<u>Housing Revenue Account:-</u>	£'000
Land	27
Houses	6,073
Other Property	64
	<u>6,164</u>

This expenditure was financed as follows:	£'000
Use of Capital receipts	2,583
Revenue Contributions	28
Major Repairs Allowance	3,553
	<u>6,164</u>

Total Capital Expenditure	<u>9,493</u>
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As at 31 March 2009 the Council had a total of £3.1m available as usable capital receipts to finance future capital expenditure.

**Future Capital Expenditure Plans**

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
<b>Expenditure</b>					
General Fund	5,977	1,945	1,313	1,257	10,492
HRA	5,686	4,900	5,006	5,129	20,721
Total	<u>11,663</u>	<u>6,845</u>	<u>6,319</u>	<u>6,386</u>	<u>31,213</u>
<b>Funded by:</b>					
Reserves		-	-	-	-
Government Grant	3,231	220	220	220	3,891
Capital Receipts	3,901	2,530	1,919	1,900	10,250
Revenue Contributions	413	413	413	413	1,652
Major Repairs Allowance	3,601	3,682	3,767	3,853	14,903
Supported Borrowing	517	-	-	-	517
Total	<u>11,663</u>	<u>6,845</u>	<u>6,319</u>	<u>6,386</u>	<u>31,213</u>

From 1 April 2009 onwards, the capital expenditure plans for South Bedfordshire District Council have been incorporated into the capital programme of the new Central Bedfordshire Council.

**Acquisition and Disposal of Fixed Assets**

During 2008/09 the Council acquired one housing property and disposed of four houses under the Right to Buy legislation. Negotiations were concluded in 2008/09 regarding easement rights over land in Leighton Buzzard and £1.25 million was received. In addition, a small amount of land held within the Housing Revenue Account was sold for housing development purposes.

**Borrowing**

No new borrowing took place in 2008/09.

**The Pension Fund**

There is a substantial deficit on the Council's share of the Pension Fund, administered by Bedfordshire County Council (Bedford Borough Council from 1 April 2009). Contribution rates were 24.4 % of pensionable pay for 2008/09 a reduction from 26% for 2007/08. The level of deficit increased from £24.4m as at 1 April 2008 to £31.9m as at 31 March 2009. The contributions rates for 2009/10 for Central Bedfordshire Council will be 21.9%.

The deficit represents the difference between the actuarial assessment of the liabilities (pensions due assuming average life spans for pensioners) of the fund with the estimated assets and future income. This "full funding" requirement was introduced in the late 1990's having been relaxed in the late 1980's.

**Changes to the Accounts in 2008/09**

The term "deferred charges" has been replaced as a description by 'revenue expenditure funded from capital under statute'.

**Statutory Functions**

There have been no changes to the statutory functions of the authority.

I confirm that these accounts were approved by the Audit Committee at the meeting held on 27 July 2009

Signed on behalf of Central Bedfordshire Council:

David Lawrence  
Chair of the Audit Committee:

Clive Heaphy,  
Director of Corporate Resources  
Section 151 Officer

Date ..... 2009

Date .....2009



## **STATEMENT OF ACCOUNTING POLICIES**

### **General**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice (SORP).

### **Concepts**

These accounts have been prepared in accordance with all the prevailing concepts of accruals and going concern, together with relevance, reliability, comparability, understandability and primacy of legal requirements as set out in FRS18.

South Beds was replaced by Central Bedfordshire Council unitary authority on 1st April 2009. All services, assets and liabilities transferred into the newly established unitary authority. The accounts have been prepared on a going concern basis, and the income and expenditure account and balance sheet assume that all services will continue for the foreseeable future.

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

#### **Customer and Client Receipts**

Customer and client receipts, in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate.

#### **Employee Costs**

The full cost of employees are charged to the accounts in the period within which the employees worked.

#### **Interest**

Interest payable on external borrowings and interest income is accrued and accounted for in the period to which it relates.

#### **Supplies and Services**

The cost of supplies and services are accrued and accounted for in the period in which they were consumed or received.

### **Estimation Techniques**

Estimation Techniques are methods adopted by the authority to arrive at an estimated monetary amount, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at using an estimation technique.

### **Contingent Liabilities/Assets**

A contingent asset is:

a) A probable inflow of a receipt or economic benefit arising from past events that cannot be measured with sufficient reliability.

A contingent liability is:

- a) A possible obligation arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control; or
- b) A present obligation arising from past events but is recognised because it is unknown if a transfer of economic benefit will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent item is not recognised within the accounts but is disclosed as a note to the balance sheet.

### **Intangible Assets**

Intangible assets represent expenditure which may be properly capitalised but which is not represented by tangible fixed assets. It usually relates to expenditure incurred on software.

### **Recognition**

All expenditure on the cost, acquisition or enhancement of intangible assets is capitalised on an accruals basis in the accounts, provided that:

- a) the asset yields benefits to the Authority and other external service users for a period of more than one year from the date of expenditure incurred, and
- b) the expenditure incurred in respect of the individual asset exceeds £10,000.

Exceptions to the above policy will only be allowed in the case where expenditure incurred on individual assets is less than £10,000 but:

- i) the individual items have a useful life of more than one year;
- ii) the expenditure incurred is in respect of periodical, recurring spending, and
- iii) the aggregate expenditure incurred on the acquisition, replacement or enhancement of all such assets is in excess of £10,000 within the financial year.

### **Measurement**

Intangible assets are capitalised at their cost.

### **Amortisation**

Intangible assets are charged to revenue on a systematic basis depending on their economic benefit to services over their useful lives.

### **Disposal**

Any gain or loss on the disposal of an intangible asset is credited or charged to the Income and Expenditure Account on an accruals basis. This is achieved by crediting this account with the sale proceeds and debiting that account with the value shown within the balance sheet as at the 1 April. These two entries are then reversed out of the Income and Expenditure Account via the Statement of Movement on the General Fund Balance such that the sale proceeds are taken to the Capital Receipts Reserve and the balance sheet value to the Capital Adjustment Account.

### **Impairment**

Where an impairment loss on an asset occurs, the loss is charged to the revenue service account if it is caused by clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset).

### **Charges to Revenue**

General Fund and HRA services and central support services are charged with a provision of amortisation and where required any related impairment loss, for all intangible assets used in the provision of the service. This amount will be determined based on a straight line charge over the economic benefit the asset provides to services.

## **Fixed Assets**

### **Recognition**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that:

- a) the asset yields benefits to the Authority and service users for a period of more than one year from the date of expenditure incurred, and
- b) the expenditure incurred in respect of the individual asset exceeds £10,000.

Exceptions to the above policy will only be allowed in the case where expenditure incurred on individual assets is less than £10,000 but:

- i) the individual assets have a useful life of more than one year;
- ii) the expenditure incurred is in respect of periodical, recurring spending on the acquisition, replacement or enhancement of assets necessary to maintain or improve ongoing delivery of services, and
- iii) the aggregate expenditure incurred on the acquisition, replacement or enhancement of all such assets is in excess of £10,000 within the financial year.

### **Measurement**

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Assets Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The balances have been restated on the following basis:-

- a) Land and operational properties are included in the balance sheet on the basis of existing use value
- b) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet on the basis of market value.
- c) Infrastructure assets are included in the balance sheet at depreciated replacement cost.
- d) Community assets are not depreciated and are included in the balance sheet at historical cost.
- e) Vehicles, plant and equipment assets are included in the balance sheet at historical cost.

### **Revaluations and Impairment**

Where an asset is included in the balance sheet at current value it is formally re-valued on an annual basis and the revised amount included in the balance sheet. Where there is a difference between the value in the balance sheet, that difference in value is charged to the Revaluation Reserve.

Where an impairment loss on a fixed asset occurs, the loss is charged to the revenue service account if it is caused by clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset). Other impairments (reflecting a general reduction in value) are recognised in the Revaluation Reserve.

### **Disposals**

Income from the disposal of fixed assets is credited to the usable capital receipts reserve.

Under the 'pooling regime' introduced in 2004/05, 25% of housing sale capital receipts are retained and 50% of 'other housing' assets sales are retained. The remainder is paid back to the Government (shown in the Income & Expenditure Account).

When usable capital receipts are applied to finance new capital expenditure, the relevant amount will be transferred to the Capital Adjustment Account.

### **Depreciation**

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:-

- a) Under FRS 15 the authority is required to depreciate operational buildings over an estimated useful life.
- b) Newly acquired assets are depreciated from the year after the year of acquisition. Assets in the course of construction are not depreciated until they are brought into use.
- c) A full years depreciation is charged in the year of disposal.
- d) Depreciation is calculated using the straight-line method.
- e) Depreciation is based upon the following asset lives;
  - operational buildings (including non-dwelling HRA assets) Up to 50 years depending on the expected life of each asset
  - vehicles and plant Varying periods according to useful life
  - council dwellings 60 years

### **Government Grants and Contributions**

Government grants and other contributions are accounted for and recognised in the accounting statements when the conditions for their receipt have been complied with.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution used to acquire the asset is credited to the government grants deferred account and written off to the revenue service account over the useful life of the asset to match the depreciation of the asset to which it relates.

### **Investments**

The investments shown in the Balance Sheet comprise of temporary investment of surplus cash with financial institutions. The temporary investments are shown at cost.

### **Leases**

The Council has acquired equipment and vehicles by means of operational leases. These transfer the risks and rewards of ownership without actually transferring the title of the assets.

Rentals payable under operating leases are charged to revenue on a straight line basis, though lease cars are on an accruals basis.

### **Overheads**

The following support services are recharged on the basis of a Service Level Agreement:-

Accountancy,  
Audit,  
Cashiers,  
Information and Communication Technology,  
Exchequer Services,  
Finance Administration (part),  
Legal,  
Human Resources (General and Training).

The remaining support services are fully allocated during the year, using a computerised allocation process. A variety of bases are used for this process, but the majority of the costs are allocated on the basis of employee time.

The costs of Non Distributed Costs, Democratic Representation and Corporate Management are allocated to a separate cost centre heading and are not apportioned to any other service heading.

### **Pension Costs**

The pension costs that are charged to the Council's accounts in respect of its employees have previously been equal to the contributions paid to the defined benefit funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees which are met by the Council on an unfunded basis again on the basis of contributions paid to the scheme.

These costs were determined on the basis of contribution rates that were set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations. The Council did not comply with the accounting requirements of SSAP 24, 'Accounting for Pension Costs' and the liabilities included in the balance sheet were therefore understated in respect of pension costs. In accordance with standard accounting practice for local authorities, the additional costs that it would have been necessary to provide for in the accounts for the period under SSAP 24 were disclosed by way of a note to the accounts.

The council has now moved to a full implementation of FRS 17 'Retirement Benefits' so that it recognises the council's share of the fund net assets and liabilities plus a pension reserve in the Balance Sheet plus entries in the Income & Expenditure Account for changes to those assets and liabilities relating to defined benefit schemes. Appropriate adjustments are made so as to ensure that the sum required for funding by the council tax is equal to the actual contribution paid to the fund, as previously.

The previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to pensioners for which the council was directly responsible. The new policy better reflects a commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

This change has had the following effects on the results for 2008/09:

- the overall amount to be met from Government Grants and local taxation has remained unchanged, but the costs disclosed for individual services are lower after the replacement of employers contributions by current service costs and Net Operating Expenditure is therefore also lower than it would otherwise have been.
- the requirement to recognise the net pensions liability in the balance sheet has increased the reported net liability by £7.5m to £31.9m.

### **Provisions**

Provisions are established for the purpose of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise (or both).

The Council has established a number of provisions and an explanation of these are set out in note 24 on page .....

### **Bad Debt Provisions**

The carrying amount of debtors, disclosed on the face of the balance sheet, is shown net of bad debt provisions, as set out in note 19 on page ....., These are provided for, and known uncollectable debts are written off against them.

### **Earmarked Reserves**

Reserves are also established and may be raised to either meet payments estimated to fall due in the early part of the next financial year before that year's revenues are available, or to meet expenditure which will be incurred in any subsequent year in performing the authority's functions.

The Council has established a number of reserves and an explanation of these are set in note 25 on page ....

### **Stocks and Work in Progress**

Work in progress is measured at the lower of cost or net realisable value.

Stocks and stores held at the year end are included in the accounts at average price, less any reserve for slow moving and obsolete stock.

### **Value Added Tax**

VAT is included in income and expenditure accounts, whether of a capital or a revenue nature, only to the extent that it is irrecoverable.

### **Revenue Expenditure Funded from Capital under Statute**

These relate to items of expenditure that the authority gains no economic benefit from. For 2008/09 these are in the form of improvement grants, housing association support and support for the Riverside Walk project within the Ouzel Valley Park. As they are written off to revenue in the year the grant is awarded, no balances will be shown on the Balance Sheet

### **Financial Instruments**

The council has identified the following categories of financial instruments:

Borrowing  
Investments  
Soft Loans  
Financial Guarantees

These instruments will be accounted for in accordance with the following principles:

#### **Borrowing**

Financial liabilities arising from borrowings are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the loan. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing would be credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The fair value of loans is shown in a note to the Statement of Accounts only where this is materially different to the carrying amount as stated in the Balance Sheet.

#### **Investments**

The fair value of investments is shown in a note to the Statement of Accounts only where this is materially different to the carrying amount as stated in the Balance Sheet.

The fair value has been determined by calculating the net present value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

Where discount rates have been used they are market rates available on 31 March 2009.

The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable counterparty. This is the rate applicable in the market on the date of the valuation, for an instrument with the same duration i.e. equal to the outstanding period from the date of valuation to maturity.

Investments in the balance sheet as at 31 March 2009 include accrued interest as at the sheet date.

### **Soft Loans**

These are loans that the Council may make for policy reasons at an interest rate below the market rate for that type of loan. Where this occurs they are accounted for on a fair value basis. The fair value is the present value of future receipts discounted using the prevailing interest market interest rate for a similar loan and for an organisation with a similar credit rating. The impact of these loans is assessed annually.

Where material the difference between cash lent and the fair value is charged against the relevant service and as the loan is repaid the increased fair value of the loan is credited to the service, giving a neutral effect over the term of the loan.

Where the debt or loan is of a statutory nature, interest is charged at a deemed to be commercial rate. Where the difference between the fair value and the cash lent is immaterial no adjustment is made.

When assessing the impact of soft loans the interest rate on the loan is compared to the prevailing rate for a similar loan with the same remaining life to calculate the fair value.

### **Financial Guarantees**

As at 31 March 2009 the Council had given no financial guarantees. Should it do so then it will account for these as follows:

Where a guarantee is given requiring payments to be made to reimburse the holder of a debt if a debtor fails to make a payment when due in accordance with the terms of a contract, then the guarantee will be included in the accounts at fair value.

Where a guarantee is given to an unrelated party, then the fair value is the premium received unless that sum does not

### **Prior Period Adjustments**

Prior period adjustments are the correction of fundamental errors or changes to accounting policies. Material adjustments applicable to prior periods are included in the accounts by restating comparatives for previous period and adjusting opening balances on reserves. In addition prior periods will be restated where not to do so could result in misleading comparisons being made, even if the errors or changes are not fundamental.

### **Post Balance Sheet Events**

Where a material post balance sheet event occurs which:

- Provides additional evidence relating to conditions existing at the balance sheet date; or
- Indicates that the application of the going concern concept to a material part of the authority is not appropriate;

Changes will be made in the amounts to be included in the statement of accounts.

### **Change in Accounting Policy**

There has been a change in the accounting policy for depreciation. Previously this was calculated by using the opening balance sheet value of an asset. For 2008/09, the average value of the asset was used in the calculation. No prior year adjustment was made for 2007/08 as it was not material.



**INCOME & EXPENDITURE ACCOUNT**

This account summarises the resources that have been generated and consumed in providing services a managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the re: projected value of retirement benefits earned by employees in the year.

Net Exp. <u>2007/08</u> £'000	<b>Discontinued Operations/Services</b>	Expenditure <u>2008/09</u> £'000	Income <u>2008/09</u> £'000
2,294	Central Services to the Public	11,396	8,721
2,487	Cultural and Related Services	3,237	612
6,092	Environmental Services	8,326	1,551
3,006	Planning and Development Services	5,239	2,271
1,054	Highways, Roads & Transport Services	1,164	345
14,278	Local Authority Housing (HRA)	45,024	21,784
1,790	Other Housing Services	26,712	24,744
1,837	Corporate and Democratic Core	3,588	50
35	Non Distributed Costs	682	-
-	Exceptional costs of LGR (Note 1)	686	-
<b>32,873</b>	<b>Net Cost of Services</b>	<b>106,054</b>	<b>60,078</b>
2,805	Loss/(Gain) on the disposal of fixed assets		
3,895	Parish Precepts		
(367)	Trading Services (Note 2)		
97	Interest payable and similar charges		
	Contribution of Housing Capital Receipts to		
1,255	Government Pool		
(130)	Other Income (unattached Capital Receipts)		
(1,251)	Interest Receivable		
	Pension Interest Costs and Expected Return		
1,172	on Pension Assets (Note 27)		
<b>40,349</b>	<b>Net Operating Expenditure</b>		
(10,463)	Precept demanded from the Collection Fund		
-	Transfer from the Collection Fund in respect of surpluses		
(1,231)	General Government Grant		
(859)	Local Authority Business Growth Incentive Scheme		
(7,334)	Received from non-domestic rate pool		
<b>20,462</b>	<b>(Surplus)/Deficit for the year</b>		

been generated and consumed in providing services and  
 les all day-to-day expenses and related income on an  
 the value of fixed assets actually consumed and the real  
 employees in the year.

Net Exp. 2008/09 £'000
2,675
2,625
6,775
2,968
819
23,240
1,968
3,538
682
686
<b>45,976</b>
(1,333)
4,213
2,338
172
362
(46)
(1,302)
1,754
<b>52,134</b>
(11,076)
-
(1,070)
(288)
(7,689)
<b>32,011</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main difference being:

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

<u>2007/08</u> £'000		<u>2008/09</u> £'000
20,462	Surplus for the year on the Income and Expenditure Account	32,011
(19,924)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see next page for details)	(31,628)
<b>538</b>	<b>(Increase)/Reduction in the General Fund Balance</b>	<b>383</b>
(1,848)	General Fund Balance brought forward	(1,310)
<u>(1,310)</u>	General Fund Balance carried forward	<u>(927)</u>

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

**Note of reconciling items for the Statement of Movement on the General Fund**

The following statement provides the detail behind the movement on the General Fund balance, analysed between those items that are either included or excluded by statute and non-statutory proper practices to be credited or debited to the General Fund Balance for the year.

<u>2007/08</u> £'000	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year</b>	<u>2008/09</u> £'000
	(459) Amortisation of intangible fixed assets	(653)
	(1,925) Depreciation and impairment of fixed assets	(6,173)
	102 Government Grants Deferred amortisation	374
	(653) Write downs of deferred charges to be financed from capital resources	(1,018)
	- Net (loss)/gain on sale of fixed assets	1,116
	130 Other Income ( Unattached Capital Receipts)	46
	(2,603) Net charges made for retirement benefits in accordance with FRS17	(3,268)
	<b>(5,408) Sub-total</b>	<b>(9,576)</b>
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the Year</b>	
	(92) Minimum revenue provision for capital financing	(44)
	180 Capital expenditure charged in-year to the General Fund Balance	294
	(1,255) Transfer from Usable Capital receipts to meet payments to the Housing Capital Receipts Pool	(362)
	Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,498
	<b>2,431 Sub-total</b>	<b>2,386</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
	(16,451) Housing Revenue Account balance	(22,565)
	- Voluntary revenue provision for capital financing	-
	671 Net transfer to or from earmarked reserves	(1,873)
	<b>(15,780) Sub-total</b>	<b>(24,438)</b>
	<b>Net additional amount required to be credited to the General Fund balance</b>	
	<b>(19,924) for the year</b>	<b>(31,628)</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)**

The Statement of Total Recognised Gains and Losses (STRGL) brings together all the recognised gains and losses of an authority when assessing the financial result for the period. FRS3 Reporting Financial Performance requires *all* gains and losses to be included in a Statement of Total Recognised Gains and Losses (STRGL) to be shown with the same prominence as the other primary statements.

<u>2007/08</u> £'000	<b>Movements</b>	<u>2008/09</u> £'000
20,462	(Surplus)/Deficit for the year on the Income and Expenditure Account	32,011
(23,970)	(Surplus)/Deficit arising on revaluation of fixed assets	19,342
(11,614)	Actuarial gain on pension fund assets and liabilities	6,743
(32)	Any other gains and losses required to be included in the STRGL	2
<b>(15,154)</b>	<b>Total recognised (gains)/losses for the year</b>	<b>58,098</b>
<b>Total Net Worth</b>		
(425,649)	As at 1st April	(440,803)
(440,803)	As at 31st March	(382,705)
<b>(15,154)</b>	Change in Net Worth	<b>58,098</b>

**BALANCE SHEET**

The Balance Sheet summarises the financial position of the Council. It shows the value of the Council's assets and liabilities at the year-end.

<u>2007/08</u> £'000		<u>2008/09</u> £'000	<u>2008/09</u> £'000
	<b>Fixed Assets</b>		
1,033	Intangible Assets (Note 17)		1,001
	Tangible Fixed Assets		
	Operational Assets		
391,114	Council Dwellings	351,042	
43,938	Other Land and Buildings	41,522	
1,405	Vehicles, plant, furniture, equipment	1,319	
-	Infrastructure	-	
273	Community Assets	568	
	Non-operational Assets		
-	Assets under Construction		
477	Surplus Assets	63	
13,905	Investment properties	11,012	405,526
452,145	<b>Total Fixed Assets (Note 16)</b>		406,527
7	Long Term Investments		7
61	Long Term Debtors		52
452,213	<b>Total Long Term Assets</b>		406,586
	<b>Current Assets</b>		
19	Stocks and Work in Progress	22	
11,204	Debtors (Note 19)	10,314	
17,881	Short Term Investments and Accrued Interest	12,613	
2	Cash in Hand	3	
310	Cash at Bank	908	23,860
481,629	<b>Total Assets</b>		430,446
	<b>Current Liabilities</b>		
-	Borrowing repayable within 12 months	-	
(11,109)	Creditors (Note 20)	(10,999)	
-	Bank Overdraft	-	(10,999)
470,520	<b>Total Assets less Current Liabilities</b>		419,447
(1,938)	Long-term Borrowing and Accrued Interest (Note 22)		(1,938)
(743)	Provisions (Note 24)		(518)
(2,620)	Government Grants Deferred		(2,346)
(24,416)	Liability related to defined benefit pension scheme (Note 27)		(31,940)
440,803	<b>Total Assets less Liabilities</b>		382,705
	<b>Financed by:</b>		
22,110	Revaluation Reserve		2,672
425,773	Capital Adjustment Account		399,910
18	Deferred Capital and Other Income		11
6,601	Usable Capital Receipts Reserve (Note 25)		3,073
(24,416)	Pensions Reserve (Note 27)		(31,940)
200	Major Repairs Reserve		200
5,671	Earmarked reserves (Note 25)		3,789
1,310	General Reserves		927
3,510	Housing Revenue Account balance		4,039
26	Collection Fund Account Balance		24
440,803	<b>Total Net Worth</b>		382,705

**CASH FLOW STATEMENT**

This statement summarises the inflows and outflows of revenue and capital cash arising from transactions with third parties

<u>2007/08</u> £'000		<u>2008/09</u> £'000	<u>2008/09</u> £'000
	<b>Revenue Activities - cash outflows</b>		
16,911	Cash paid to and on behalf of employees	18,530	
36,225	Other operating costs	32,422	
9,381	Housing Benefit paid out	11,449	
37,115	NNDR Payments to National Pool	40,560	
1,255	Payments to Capital Receipts Pool	683	
58,549	Precepts paid	<u>62,103</u>	165,747
159,436			
(59,240)	Council Tax received	(61,590)	
(8,877)	Housing Rents received	(9,054)	
(28,400)	Benefit Subsidy received (Note 29)	(28,822)	
(1,479)	Other grants and subsidies (Note 29)	(2,407)	
(35,491)	NNDR received (net)	(40,529)	
(7,334)	NNDR pool contributions received	(7,689)	
(1,231)	Revenue Support Grant received (Note 29)	(1,070)	
	Other income from services:		
(6,800)	Cash received for goods and services	(6,055)	
(13,430)	Other revenue cash payments/income	<u>(9,265)</u>	(166,481)
(2,846)	<b>Revenue Activities net cash flow (Note 28)</b>		(734)
	<b>Servicing of Finance - cash outflows</b>		
86	Interest paid		124
	<b>Servicing of Finance - cash inflows</b>		
(832)	Interest received		(1,467)
(746)	<b>Net Servicing of Finance</b>		(1,343)
	<b>Capital Activities - cash outflows</b>		
	Capital expenditure		
6,477	Purchase of Fixed Assets	8,139	
835	Intangible assets	<u>1,058</u>	9,197
	<b>Capital Activities - cash inflows</b>		
(4,316)	Sale of fixed assets	(1,802)	
(1,480)	Capital grants received	(623)	
-	Government grant deferred		
(8)	Other capital cash payments/income	<u>(10)</u>	(2,435)
1,508	<b>Total Capital Activities</b>		6,762
(2,084)	<b>Net cash (inflow)/outflow before financing</b>		4,685
	<b>Management of Liquid Resources</b>		
	Net Decrease in Short Term Deposits		
2,549	Net Decrease in Other Liquid Resources (Note 31)		(5,284)
	<b>Financing - cash outflows</b>		
-	Repayments of amounts borrowed		-
-	Premia Paid		-
	<b>Financing - cash inflows</b>		
(646)	New loans raised (Note 31)		-
1,903	<b>Net cash (inflow)/outflow from financing</b>		(5,284)
(181)	<b>(Increase)/Decrease in cash (Note 30)</b>		<u>(599)</u>

**33. Local Area Agreement (LAA)**

From 2008/09 Area Based Grants (ABG) replaced Local Area Agreements (LAAs). ABG is a non-ringfenced general grant, enabling full local control over how funding can be used. ABG is paid directly to South Beds, rather than through Bedfordshire County Council, the upper tier authority for the area. South Beds received £138,897 ABG which has been spent as follows:

South Bedfordshire District Council element	Budget £	Actual £
Anti Social Behaviour co-ordinator	22,000	21,520
South Beds initiative fund	13,000	8,218
Town safe co-ordinator	25,000	23,680
Waste Performance Efficiency	187,000	85,479
	247,000	138,897

**34. Contingent Liabilities**

There are no contingent liabilities to disclose.

**35. Contingent Assets**

As a result of a recent fraud case, there is a possibility of the Council recovering some of the defrauded sum and costs through its insurers. The timing and amount of any recovery is uncertain.

**36. Post Balance Sheet Events**

There are no post balance sheet events to disclose

**37. Date of Authorisation**

The accounts were authorised for issue by Clive Heaphy, Director of Corporate Resources, Central Bedfordshire, on 20 July 2009



<b><u>HOUSING REVENUE ACCOUNT</u></b>			
<b><u>2007/08</u></b>	<b>Note</b>	<b><u>2008/09</u></b>	
£'000		£'000	£'000
<b><u>INCOME</u></b>			
19,230 Dwelling rents		20,404	
504 Non-Dwelling Rents		<u>44</u>	20,448
977 Charges for services and facilities			894
424 Contributions towards expenditure			442
<b>21,135 TOTAL INCOME</b>			<b><u>21,784</u></b>
<b><u>EXPENDITURE</u></b>			
3,948 Repairs and maintenance		3,856	
5,018 Supervision and management		<u>5,014</u>	8,870
120 Rents, rates, taxes and other charges			181
71 Subsidy Limitation Transfer to the General Fund			-
7,150 Negative HRA subsidy payable	7		8,780
18,893 Depreciation and impairment of fixed assets	6		26,852
125 Debt management Costs			103
87 Increased provision for bad or doubtful debts			238
<b>35,412 TOTAL EXPENDITURE</b>			<b><u>45,024</u></b>
<b>Net cost of HRA services as included in the whole authority income and expenditure account</b>			
<b>14,278</b>			<b><u>23,240</u></b>
184 HRA Share of Corporate and Democratic Core			128
<b>14,462 NET COST OF HRA SERVICES</b>			<b><u>23,368</u></b>
2,805 (Gain) or loss on sale of HRA Fixed Assets			(216)
- Interest Payable			-
- Amortisation of Premiums and Discounts			-
(952) Interest and Investment Income	5		(763)
Pensions interest cost and expected return on pension assets	9		175
<b>1,989 TOTAL APPROPRIATIONS</b>			<b>(804)</b>
<b>16,451 DEFICIT/(SURPLUS) FOR THE YEAR</b>			<b><u>22,564</u></b>

**STATEMENT OF MOVEMENT ON THE HRA BALANCE**

<u>2007/08</u> £'000	<u>2008/09</u> £'000	£'000
16,451 (Surplus) or Deficit for year on HRA I&E		22,564
Net additional amount to be debited or (credited) to the		
(17,936) HRA Balance for the year		(23,094)
(1,485) (Increase) or decrease in HRA Balance		(529)
(2,024) <b>Balance brought forward</b>		(3,509)
(3,509) <b>Balance carried forward</b>		(4,038)

**NOTE TO THE STATEMENT OF THE MOVEMENT OF THE HRA BALANCE**

<u>2007/08</u> £'000	<u>2008/09</u> £'000	£'000
<b>Items included in HRA I&amp;E account but excluded from movement on the HRA balance for the year</b>		
Write down of deferred charges to be financed from capital resources		-
- Difference in amounts charged to I&E for amortisation of premiums and discounts		-
Difference between any other item of I&E determined in accordance with the SORP and determined in accordance with statutory HRA requirements		(23,083)
(14,974) Gains or Loss of sale of HRA Fixed Asset		216
(2,805) Net Charges for FRS17	9	(10)
(58) (Increase) or decrease in HRA Balance		(22,877)
<b>Items not included in the HRA I &amp; E account but included in the movement on HRA balance for the year</b>		
(369) Transfer to/(From) Major Repairs Reserve	3	(216)
- Transfer to/(From) Housing Repairs Account		0
- Voluntary set-aside for debt repayment		0
270 Capital Expenditure funded by HRA	4	0
(99)		(216)
Net additional amount to be debited or (credited) to the		
<b>(17,936)</b> HRA Balance for the year		<b>(23,093)</b>

**NOTES TO HOUSING REVENUE ACCOUNT**

**1. Housing Stock**

	<u>01/04/2008</u>	<u>Sold</u>	<u>Deleted/ Demolished</u>	<u>Additional/ New Build</u>	<u>31/03/09 Totals</u>
Low Rise Flats					
Pre 1919	-	-	-	-	-
1919-1944	43	-	-	-	43
1944-1964	353	-	-	-	353
1964- 1975	669	-	-	-	669
Post 1975	246	-	-	-	246
Medium Rise Flats					
Pre 1919	-	-	-	-	-
1919-1944	12	-	-	-	12
1944-1964	112	-	-	-	112
1964- 1975	361	-	-	-	361
Post 1975	20	-	-	-	20
High Rise Flats					
Pre 1919	-	-	-	-	-
1919-1944	-	-	-	-	-
1944-1964	-	-	-	-	-
Post 1964	-	-	-	-	-
Houses & Bungalows					
Pre 1919	-	-	-	-	-
1919-1944	539	2	-	-	537
1944-1964	1,675	-	-	1	1,676
1964 - 1975	969	2	-	-	967
Post 1975	237	-	-	-	237
Shared Dwellings Dwelling equivalents	-	-	-	-	-
	<u>5,236</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>5,233</u>

**2. Balance Sheet Values of HRA Assets**

	<u>Value at 01/04/08 £'000</u>	<u>Value at 31/03/09 £'000</u>
Operational Assets	391,114	351,042
Non-operational Assets	-	-
Total	<u>391,114</u>	<u>351,042</u>
Council Dwellings/Garages	390,388	350,456
Sheltered Housing Offices	67	68
Land	18	13
Shops	641	505
Surplus Buildings	-	-
Surplus Land	-	-
Total	<u>391,114</u>	<u>351,042</u>

The value of the dwellings within the HRA shows the economic value of providing Council Housing at less than open market rents and therefore the value is shown in relation to existing use for social housing. The vacant possession value of dwellings as at 1 April 2008 was £683,522,306

**3. Major Repairs Reserve**

The Major Repairs Reserve income and expenditure relates to Council Houses. The Major Repairs Reserve balance at 31 March can be analysed as follows:-

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Balance as at 1 April	(200)	(200)
Total depreciation charged on all HRA assets	(3,919)	(3,769)
Depreciation in excess of MRA transferred to HRA	369	216
Expenditure in Year	3,550	3,553
Balance as at 31 March	<u>(200)</u>	<u>(200)</u>

**4. Capital Expenditure and Receipts**

Total Capital Expenditure of £6.164 million for the year was financed as follows: -

<u>Land</u>	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Major Repairs Allowance	-	-
Revenue Contributions to Capital	-	-
Capital Receipts	61	27
Supported Borrowing	-	-
	<u>61</u>	<u>27</u>

<u>Houses</u>	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Major Repairs Allowance	3,550	3,553
Revenue Contributions to Capital	270	-
Capital Receipts	261	2,520
Supported Borrowing	646	-
	<u>4,727</u>	<u>6,073</u>

<u>Other Property</u>	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Major Repairs Allowance	-	-
Revenue Contributions to Capital	-	28
Capital Receipts	2	36
Supported Borrowing	-	-
	<u>2</u>	<u>64</u>

The total receipts from the sale of Housing Revenue Account Assets were as follows: -

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Sale of Council Houses	1,599	439
Sale of Land	335	61
Right to Buy discounts repaid	130	22
Principal repayments from mortgages	5	6
	<u>2,069</u>	<u>528</u>

**5. Capital Charges**

Net Capital Charge to HRA

The net capital charge to or from the Housing Revenue Account, is known as the Item 8 Credit and Item 8 Debit (General) Determination. This charge is based upon the Capital Finance Requirement (previously the credit ceiling) It is calculated as the Capital Finance Requirement (CFR) multiplied by the year's average interest rate of the Public Works Loans Board loans if the CFR is positive or by the average interest rate obtained by the authority for its investments if the CFR is negative. In both 2007/08 and 2008/09 the Capital Finance Requirement was negative and so the latter method was used.

This is as follows: -

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
HRA investment income	(797)	(665)
Contribution to Minimum Revenue Provision for debt repayment	-	-
Interest on cash balances and mortgages	(153)	(97)
Other interest received	(2)	(1)
	<u>(952)</u>	<u>(763)</u>

**6. Depreciation and Impairment**

Depreciation and impairment charged to the Housing Revenue Account is as follows. There is no depreciation and impairment charged to the HRA in respect of non operational assets.

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Depreciation and Impairment Charge - Operational Assets		
Houses - Depreciation	3,919	3,769
Houses - Impairment	14,974	23,083
Other Property	-	-
	<u>18,893</u>	<u>26,852</u>

Impairment relates to a general reduction in value of some council dwellings due to market conditions.

**7. Surplus to the Department of Communities & Local Government**

The transfer of assumed surplus to the Department of Communities & Local Government can be analysed as follows:

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Management and Maintenance	7,682	7,830
Rental Income	(18,212)	(19,977)
Interest Receipts	(170)	(186)
Major Repairs Allowance	3,550	3,553
Total	<u>(7,150)</u>	<u>(8,780)</u>

The removal of rent rebates from the Housing Revenue Account to the General Fund in 2005/06 has resulted in the Authority no longer receiving payments of Housing Subsidy. As a result of this, from 2005/06, the Housing Revenue Account assumed surplus is repayable to the Government.

8. Rent Arrears

			<u>31/03/08</u>	<u>31/03/09</u>
			£'000	£'000
Current tenants in arrears	-	Value	426	430
Former tenants in arrears	-	Value	593	447
Amount provided for bad debts			528	481

9. The HRA share of contributions to/from the Pension Reserve

The council has now moved to a full implementation of FRS 17 'Retirement Benefits' so that it recognises the council's share of the fund net assets and liabilities plus a pension reserve in the Balance Sheet plus entries in the Housing Revenue Account for changes to those assets and liabilities relating to defined benefit schemes. Appropriate adjustments are made so as to ensure that the sum required for funding by the housing rent is equal to the actual contribution paid to the fund, as previously.

The following transactions have been made through the HRA:

	<u>2007/08</u>	<u>2008/09</u>
	£'000	£'000
Cash Contributions	(280)	(290)
Current Service Costs	202	125
<b>Sub-total</b>	<b>(78)</b>	<b>(165)</b>
Pension Interest Costs	547	521
Expected Return on Assets	(411)	(346)
<b>Sub-total</b>	<b>136</b>	<b>175</b>
<b>Appropriation from Pension Fund</b>	<b>(58)</b>	<b>(10)</b>

<b><u>COLLECTION FUND REVENUE ACCOUNT</u></b>		
<u>2007/08</u> £'000		<u>2008/09</u> £'000
	<b>Income</b>	
59,152	Income collectable from council tax-payers	62,007
6,690	Council Tax Benefits	7,264
37,277	Income collectable from business rate-payers	40,725
(522)	Provision for uncollectable amounts	(322)
102,597	Total Income	109,674
	<b>Expenditure</b>	
54,653	Bedfordshire County Council, Police and Fire Precepts (Note 3)	57,891
10,463	South Bedfordshire District Council Precept (Note 3)	11,076
37,115	Payment to N.N.D.R. pool (Note 2)	40,560
162	Transfer to General Fund re Cost of N.N.D.R. collection	164
102,393	Total expenditure	109,691
<b>(204)</b>	<b>(Surplus)/Deficit for Year</b>	<b>17</b>
	<b><u>Collection Fund Revenue Account Balance</u></b>	
40	Balance at beginning of year	(164)
(204)	(Surplus)/Deficit for Year	17
<b>(164)</b>	Balance at end of year (Note 4)	<b>(147)</b>

**NOTES TO THE COLLECTION FUND REVENUE ACCOUNT**

**Introduction**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. South Beds District Council (SBDC) collects the council tax on behalf of Bedfordshire County Council, Bedfordshire Police, Bedfordshire Fire and Rescue Service and itself. Town and parish council requirements form part of the sum precepted by SBDC.

**Notes:-**

**1. Council Tax Base**

The tax base calculation is derived by first multiplying the estimated number of domestic properties in each tax band less exemptions by a weighting factor. This result is then reduced by a percentage to allow for losses on collection and reductions through appeals.

This calculation is summarised as follows:-

Tax Band	Property Number Less Exemptions and Discounts	Weighting Factor	Band D Equivalent	Allowance for losses	Tax Base
A*	7	5/9	4	-	4
A	4,061	6/9	2,707	(27)	2,680
B	9,230	7/9	7,179	(72)	7,107
C	13,442	8/9	11,949	(120)	11,829
D	9,233	9/9	9,233	(92)	9,141
E	5,044	11/9	6,165	(62)	6,103
F	2,593	13/9	3,746	(38)	3,708
G	1,527	15/9	2,545	(25)	2,520
H	95	18/9	191	(2)	189
	45,232		43,719	(438)	43,281

**2. Business Ratepayers**

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Total non-domestic rateable value at year end	102,202	101,507
National non-domestic rate multiplier#	44.1	45.8
Product of year end value and multiplier	45,071	46,490
Outturn payment to N.N.D.R. pool	37,115	40,560

In 2005/06 the Government introduced a higher multiplier for those businesses whose property rateable value was over £15,000. For 2007/08 and 2008/09 this was 44.4 and 46.7 respectively.



**3. Major Precepting Authorities**

The major precepting authorities on the Collection Fund are:-

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Bedfordshire County Council	46,164,297	48,623,557
Bedfordshire Police Authority	5,264,623	5,854,891
Bedfordshire and Luton Combined Fire Authority	3,224,544	3,412,179
South Bedfordshire District Council	10,463,342	11,076,318
	<u>65,116,806</u>	<u>68,966,945</u>

**4. Apportionment of Collection Fund Balance**

The Collection Fund balance as at 31 March 2008 is taken into account when each of the precepting councils determine their council tax requirements. Central Bedfordshire, as the tax collecting authority since 1st April 2009, will estimate the balance on the fund at the end of a particular year (in the January of that year) and apportion that balance to the preceptors. They will then take this into account when setting their next year's council tax.

For 2008/09 SBDC estimated the balance as at 31 March 2009 as NIL. The outturn position is a deficit of £17k. When combined with the opening position of a surplus of £164k this results in a net surplus of £147k as at 31 March 2009. Because the council tax for 2009/10 has already been set, based on the estimated position of NIL, this surplus will be considered when setting council taxes for 2010/11 - along with any estimated amount for the fund outturn for 2009/10.

However, from 1 April 2009, Bedfordshire County Council, South and Mid Bedfordshire District Councils have been abolished, and two new unitary councils have been established - Bedford and Central Bedfordshire. The net surplus of £147k will be apportioned in 2009/10 to Central Bedfordshire, Bedfordshire Police and Bedfordshire Fire only as follows:

	Central Beds £'000	Beds Police £'000	Beds Fire £'000	Total £'000
Council Tax	127,657	12,520	7,296	147,473
	<u>127,657</u>	<u>12,520</u>	<u>7,296</u>	<u>147,473</u>

**5. Provisions for Bad and Doubtful Debts**

Provision has to be made for amounts due which become uncollectable and are subsequently written off in respect of Non Domestic Rates and Council Tax. Details of the provisions for bad debts are shown below:

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Council Tax	895,929	1,008,754
Business Rates	176,660	318,221
Total Provision	<u>1,072,589</u>	<u>1,326,975</u>

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**The Authority's Responsibilities**

The Authority 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 Authority, that officer is the Director of Corporate Resources;

to manage its affairs to secure economic, efficient and effective use of the resources and safeguard its assets; and

to approve the Statement of Accounts.

**The Director of Corporate resources's Responsibilities**

The Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the SORP').

In preparing this statement the Director of Corporate Resources has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent; and

complied with the Code of Practice.

The Director of Corporate Resources has also:

kept proper accounting records which were up to date; and

taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Director of Corporate Resources:

verifies the Statement of Accounts fairly presents the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

Clive Heaphy C.P.F.A.  
Director of Corporate Resources

**SOUTH BEDFORDSHIRE DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2008/09**

1.0 Scope of responsibility.

South Bedfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Bedfordshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

South Bedfordshire District Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). A copy of the code is on our website at [www.southbeds.gov.uk/](http://www.southbeds.gov.uk/) or can be obtained from:

South Bedfordshire District Council  
Committee Services  
The District Offices  
High Street North  
Dunstable  
Bedfordshire  
LU6 1LF

This statement explains how South Bedfordshire District Council has complied with the code and also how we meet the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2.0 The purpose of the governance framework.

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework described below has been in place at South Bedfordshire District Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

### 3.0 The Governance Framework.

Our governance framework derives from six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles are:

- a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) Developing the capacity and capability of members and officers to be effective; and
- f) Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles are as follows:

#### **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

The South Bedfordshire Community Plan (SBCP) outlines the vision, aims and nine priority themes for the area. It was produced in conjunction with the South Bedfordshire Local Strategic Partnership (SBLSP), which brings together all relevant stakeholders, including those that deliver services in the area.

Once the scale of the growth for the area was known it was agreed that the Community Plan should be reviewed to ensure it was fit for purpose. An evidence base was commissioned and a high profile public consultation was carried out in the summer of 2007. These activities have shaped the development of a revised vision, priorities and set of objectives for the new Sustainable Community Strategy which was published in June 2008.

The Council's aims and objectives are set out in the annually updated Council Plan. This contains a statement of priorities within six ambitions which describe the areas where we are focussing our activities over a three year period. These priorities reflect the Sustainable Community Strategy. The Council Plan also reports on progress against the previous year's priorities.

The Council Plan includes information about the Council's services and finances, and lists targets for the next three years together with planned improvements. It includes performance indicators, both national and local, to show how well we performed in previous years, plus our plans against these indicators for future years.

The Executive receives an annual medium-term financial strategy covering a five-year period, which is used to set initial parameters for the subsequent budget process.

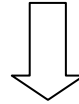
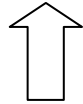
We are committed to encouraging all members of the local communities to contribute to, and participate in, the work of the Council. As part of this process we are founder members of the Bedfordshire Consultation Group ('BedsVoice') which started in 2007 and runs a residents panel of nearly 5,000 residents across the county. Surveys, workshops and other consultations are run on behalf of Bedfordshire County Council, Mid Beds and South Beds District Councils, Bedfordshire Police Authority and Bedfordshire and Luton Fire and Rescue Service using the panel.

The results are used to shape the future development of our vision including future investment and services provided. As part of this process any impact on governance arrangements will be identified and responded to. This is in addition to other activities throughout the year which have reached out to specific groups such as tenants and those hard to reach as well as undertaking the nationally required 'Place Survey'.

The diagram below sets out the various links in the process of establishing and monitoring the achievements of the Authority's ambitions, and shows the links between the Community and Council Plans which then feed into, and are informed by, service plans, service targets and individual employees via specific areas of responsibility allocated to them:



## service plans and team targets



## key result areas

The Council has an effective performance management framework – set out in the Performance Management Handbook - utilising a dedicated IT system to record and report upon performance management information. The system is driven by the Council Plan which focuses attention on Council ambitions and priorities. This is cascaded through departmental service plans, individual employee appraisals and action plans. It is clearly laid out in the annual service and financial planning and performance management cycle. The Council's Executive and Local Governance Committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary, on a quarterly basis. This reporting uses a traffic light system to make interpreting of the results easier. These reports also include quarterly budget monitoring information covering the General Fund, Housing Revenue Account, capital projects, key Prudential Code indicators and certain specific budget areas regarded as particularly sensitive. The reporting process is under constant review in order to develop its maximum potential, and we are exploring ways in which the financial information can be more closely linked to the service performance information.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. A systems thinking approach has been utilised within some housing services in order to streamline activities and reduce wasteful effort. A corporate group has reviewed procurement arrangements and produced a corporate procurement toolkit in order to ensure proper arrangements are in place for procurement of goods and services.

The Council reviewed its financial rules in November 2006, with modernised financial regulations being approved by Council in December 2006. In addition the Code of Practice for Budgetary Control has also been reviewed. Revised procurement rules were adopted in 2005/06, and further refinements were identified during 2006/07. Since then, the decision to abolish the council and create a new council for Central Beds has meant that further development would be superfluous. However the new council is expected to adopt procurement rules along the lines of those used at this council. All budget heads are allocated to named budget officers, who are responsible for controlling spend against those budgets and for those assets used in the provision of their services.

Contracts let, as well as partnerships entered into, include appropriate arrangements for monitoring against agreed targets and indicators e.g. the joint planning and transportation committee or the revised arrangements for refuse collection.

South Bedfordshire had adopted the Bedfordshire and Luton Compact as its framework for working with the Third Sector, and this will now be taken forward by Central Bedfordshire. A decision had also been taken to provide stability and security to the Third Sector and the new authority will honour all existing contractual arrangements that South Bedfordshire has in place with the voluntary sector and will review these as part of a fundamental review of Third Sector funding to be carried out in the first year of Central Bedfordshire.

The Council continues to develop and refine systems for identifying and evaluating all significant risks, via the corporate Business Risk Group. The Council approved a Risk Management Policy Statement in December 2003. The Business Risk Group has defined terms of reference to develop a comprehensive performance framework for risk management and to embed risk management across the Authority. The Audit Committee in September 2006 adopted the risk management strategy and approved the risk register, with a requirement to maintain this as a dynamic document and submit it to the Audit Committee on an annual basis. The Business Risk Group will report to the Audit Committee more frequently if there are significant matters requiring members' attention. In addition a business continuity plan has also been produced – again this will be reviewed on an annual basis via the Audit Committee.

**Members and officers working together to achieve a common purpose with clearly defined functions and roles**

The District Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

The main decision-making committee is the Executive, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except when personal or confidential matters are being discussed. In addition, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the constitution. The Council publishes a forward plan which contains details of key decisions to be made by the Executive. Each Executive member has a specific portfolio of responsibilities requiring them to work closely with senior and other employees so as to achieve the Council's ambitions. However the Council has not adopted individual decision-making powers for the portfolio holders.

The Council's Corporate Management Group (CMG) of Chief Officers meets on a regular basis to develop policy issues commensurate with the Council's aims, objectives and priorities. CMG also considers other internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management. CMG will meet with portfolio holders on a three-weekly basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues. It has a corporate responsibility for the messages that the council puts out, both internally and externally.

Below CMG the management structure is well defined in a hierarchical manner, comprising the following teams:

Title	Principal objectives
Directorate Management Team (DMT)	Ensures directorate contributions to CMG, SMG and other teams/groups Ensures feedback from CMG, SMG and other teams/groups is communicated within the Directorate Provides a lead within Directorate to meet corporate requirements
Group Management Team (GMT)	Ensures group corporate contribution Ensures communication of corporate requirements within and between teams in Group Raises awareness of issues for DMT/SMG consideration
Group of 36 – now the Senior Management Group (SMG)	Comprises all senior managers and directors Meets as required to share and understand key corporate issues, priorities and standards

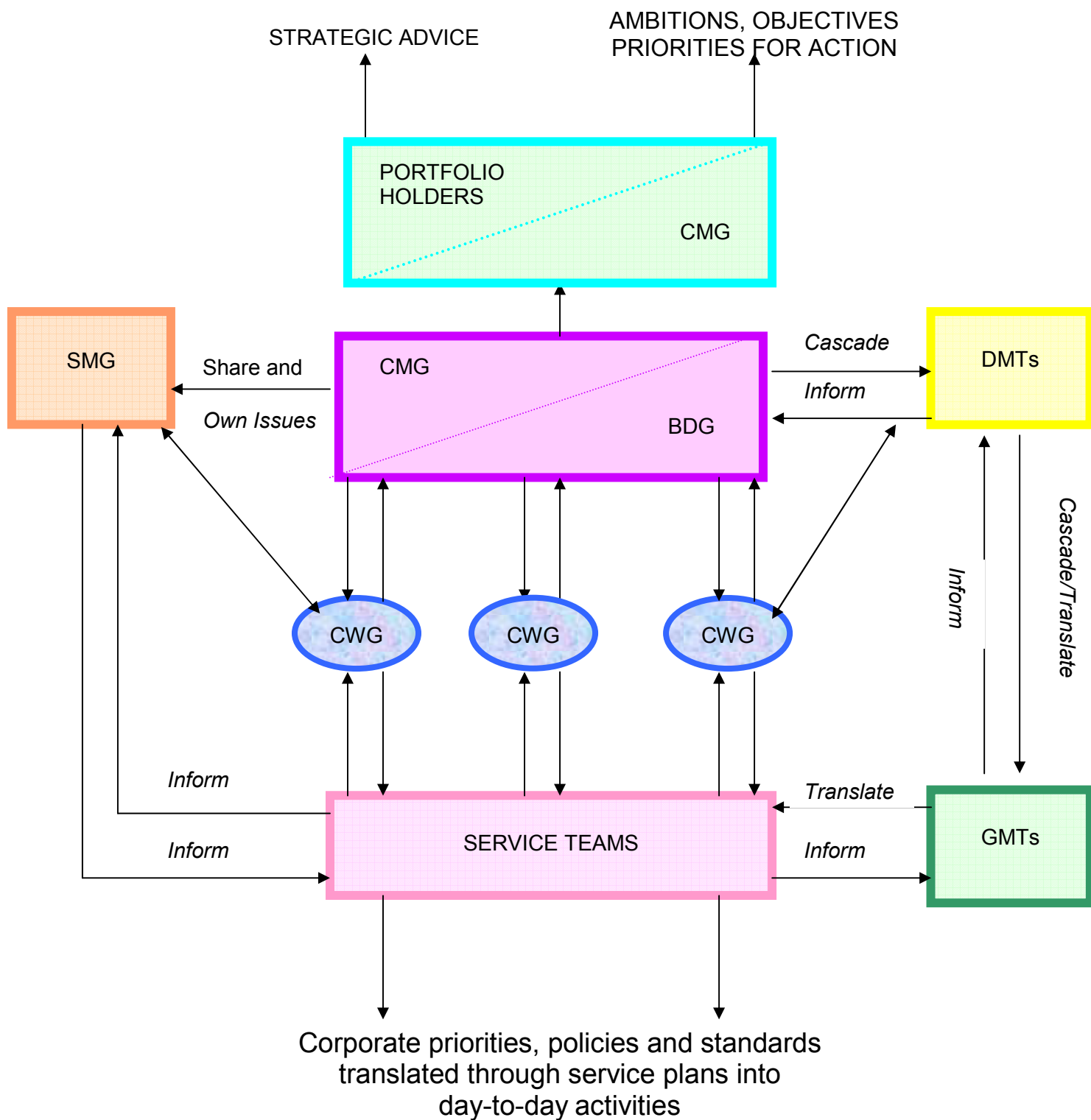
In addition there are specific groups established to progress issues on a corporate basis, examples being:

Group	Principal objectives
Asset Management	To confirm the capital strategy and asset management plan To oversee: <ul style="list-style-type: none"> <li>• the full implementation of the capital strategy and asset management plan</li> <li>• the arrangements for maintenance of the corporate asset register</li> <li>• the production of a surplus land and property register</li> </ul> To consider future land and property requirements and review under-used or empty property To consider and approve terms for the disposal of surplus land and property assets
Business Risk	To raise the level of management awareness and accountability for the service risks identified by the Group To develop risk management as part of the culture of the council To provide a mechanism for risk management issues to be discussed and disseminated to all areas of the Council To prioritise and accelerate the risk management strategy recommendations which are critical to the achievement of corporate objectives To receive reports from the Corporate Health and Safety group and respond as required
Business Decision (Ad hoc)	This is a task and finish group meeting occasionally to: <ul style="list-style-type: none"> <li>Oversee delivery of Council Plan</li> <li>Oversee performance and financial monitoring and planning</li> <li>Make operational decisions within existing policies and</li> </ul>



	framework
Communication Champions (Ad hoc)	To discuss external and internal communications and information sharing, to share experiences and perceptions and to identify priorities in this area
Equalities Working	Development of policies, practices and procedures in relation to: <ul style="list-style-type: none"> <li>• Service planning and delivery</li> <li>• Employment issues</li> </ul> Overseeing Equality Impact Assessments Ensuring effective communication with key stakeholders, community groups and other authorities Development and monitoring of service equality action plans
Environmental Working Group	To enable the Council to make its commitment to the Nottingham Declaration and progress environmental issues on a corporate basis including <ul style="list-style-type: none"> <li>• Develop and updating our environmental policy</li> <li>• Develop and monitoring the implementation of the Council's Environmental Improvement Plan</li> <li>• Providing training and support for the development of a Climate Change (mitigation/adaptation) Plan</li> </ul>
Making the Links (Ad hoc)	This is a task and finish group meeting occasionally to: <p>Strengthen and improve the links between the parts of the Council's corporate management framework  Advise, guide and oversee the annual business planning cycle  Communicate best practice and champion the corporate performance management framework  Consider links between the Local Area Agreement, Local Strategic Partnership and any Local Delivery Vehicles that may be created.</p>
People Management	Oversee the implementation of the Human Resource Strategy Give final approval to all people management policies and procedures Agree all restructures, advertising of posts and establishment changes Review conditions of service
Procurement	Revise, implement and monitor the council's procurement rules and procedures Oversee: <ul style="list-style-type: none"> <li>• The introduction of e-procurement</li> <li>• The procurement strategy</li> <li>• The contracts register</li> <li>• The 'How to do business with the Council' guide</li> <li>• The procurement handbook</li> </ul> Advise on procurement matters and support the procurement process generally

The structure can be set out in diagrammatic form as:



CMG – Corporate Management Group  
 SMG – Senior Management Group  
 DMT – Departmental Management Team  
 BDG – Business Decision Group  
 CWG – Corporate Working Group  
 GMT – Group Management Team

The District Council has adopted a number of codes and protocols that govern both Member and officer activities. These are:

- Members Code of Conduct
- Officers Code of Conduct
- Code of Conduct for Members and officers regarding planning matters
- Members' declarations of interest
- Member/officer relations
- Gifts and hospitality

**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

The Council has designated the Corporate Service Manager – Legal and Democratic Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive he will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

All Council services are delivered by trained and experienced people. All posts have a detailed post profile and person specification. Training needs are identified through the Employee Development Scheme and addressed via the Human Resources service and/or individual services as appropriate.

The Council achieved re-accreditation in November 2006 under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

Development Control achieved accreditation under the Charter Mark standard in July 2008 – the Environmental Health (2005) and Building Control (2006) services having already achieved accreditation. Charter Mark is the government's national standard for excellence in customer service.

The financial management of the Authority is conducted in accordance with the financial rules set out in Parts 2 and 4 of the Constitution and with Financial Regulations. At the start of the year the Council had designated the Chief Executive as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. From 1 July 2008 this role was undertaken by the Corporate Service Manager – Business Services. The Council has in place a five-year Financial Strategy, updated annually, to support the medium-term aims of the Council Plan.

The Council maintains an Internal Audit section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

Individual services have produced Service Plans, which currently cover the time period 2007/10. These Service Plans are updated each year so as to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

At employee level we have established an Employee Development Scheme so as to jointly agree employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for regular monitoring of performance during the year.

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The Council has several committees which carry out regulatory or scrutiny functions. These are:

- A Planning Committee to determine planning applications and related matters;
- A Standards Committee which promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the District;
- An Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;
- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- A Local Governance Committee, which is the authority's principal overview and scrutiny committee and which reviews and/or scrutinises decisions made or actions taken in connection with the discharge of any of the Council's functions;;
- The Growth Area Committee, with primary responsibility for scrutinising options and proposals relating to the Luton and South Bedfordshire Growth Area.

Previously the Policy Review Committee had shared responsibility for overview and scrutiny with the Local Governance Committee. The former committee was discontinued in April 2008 in view of new arrangements for policy review as part of the preparations for the new unitary of Central Bedfordshire.

### **Developing the capacity and capability of members and officers to be effective**

Corporate Management Group continues to ensure that senior management capacity is directed towards delivering on our priorities, as well as making the appropriate levels of contribution to the Central Bedfordshire agenda. With the recent appointment of a number of senior managers (from service manager level to Directors) to the Central Bedfordshire team, they have continued to review the impact of these appointments and put in place flexible management arrangements to enable these officers to fully participate in the preparations for the new authority.

South Bedfordshire has also made arrangements to compliment the ICT and corporately run training courses already available to employees, by offering access to the Skills for Change programme developed by colleagues at Bedfordshire County Council. The aim of that programme is to help equip employees with tools, knowledge and support during this transition period. The Skills for Change programme details were made available online via the 'Bedford Academy' and the site also contained a wide range of learning and development materials.

The Council's Knowledge and Information Management Strategy seeks to enhance the value and usefulness of the corporate resource that information, data and knowledge represents. In support of this, the Council has been taking forward a corporate records management programme coupled with an EDRMS pilot project. The aim of this is to enable the Council as a whole (and all services individually) to better locate and manage its stored information and data plus other knowledge material so that it can be more effective.

Key deliverables during 2008/09 include: training and awareness for all teams, a refresh of the Data Protection Policy and updated records management guidelines (covering records holdings rationalisation and storage or disposal, indexing of records and records tracking), and ongoing support for all services to implement these activities.

Over the past six months this programme has been fine-tuned and redirected to the objective of ensuring that all South Bedfordshire's records and information holdings have been rationalised. In doing so this will facilitate the effective transfer of knowledge and information from the existing council to the new authority, so that it can develop the solid corporate information, data and knowledge resource that it will need to have in place.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

On 13 March 2007 the Executive approved the Reputation & Communications Strategy 2007-2010 which set out objectives and plans for reinforcing the council's corporate and brand identity, internal communications, media training and enhancing two-way communication to and from the council's customers (residents, community groups, commercial enterprises, hard-to-reach customers etc). Implementation of this strategy has been under way since mid-2007 and is scheduled to meet several of its objectives by the end of 2007/2008 and during 2008/09.

Since then roll-out of the strategy has been running in parallel with the process of planning communications for the new Central Bedfordshire council and of raising awareness about the new authority.

#### **4.0 Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process to be adopted during 2008/09 for a review is:

January 2009 Production of a draft AGS, and circulation for comments by senior managers

17 March 2009 Approval by the Executive

19 March 2009 Approval by the Audit Committee

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2008/09.

The review of effectiveness is informed by the work of the executive managers within the council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

The Corporate Service Manager – Legal and Democratic (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. Following a full review in the latter part of 2006/07, and various amendments during 2007/08 including a new Members' Code of Conduct and an updated Members' Allowances Scheme, the only significant amendment to the Constitution during 2008/09 was the establishment of Assessment, Review and Hearings Sub-Committees of the Standards Committee to comply with the requirements of the new local assessment regime. This requires local Standards Committees to play a far greater role in determining complaints that councillors may have infringed the Members' Code of Conduct.

The Council has two overview and scrutiny committees as set out above. They can establish 'task and finish' groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Executive. The Local Governance Committee can "call-in" a decision which has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. In addition the Local Governance Committee can exercise its scrutiny role in respect of any Executive function, regardless of service area or functional responsibility, and will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing. No task and finish groups were set up during 2008/09 as the focus of in-depth work of this nature by Members was in respect of the preparations, jointly with Mid Bedfordshire District Council and Bedfordshire County Council, for transition to unitary status in April 2009.

The Standards Committee on 7 December 2006 conducted a broad-ranging review of the Council's existing procedures for compliance with (a) the SBDC Members' Code of Conduct and (b) related ethical conduct requirements such as the Planning Code of Conduct, Register of Members' Interests, procedures for declaring interests at committee meetings and protocols on accepting gifts and hospitality, member/employee relations and Members' use of ICT equipment supplied by the council. It simultaneously reviewed how compliance is monitored and the evidence of compliance. The Standards Committee confirmed its endorsement of the compliance procedures and evidence sources used by SBDC as representing a satisfactory assessment of Members' standards of conduct. The Standards Committee has also reviewed the wording of both the Planning Code of Conduct and the Gifts and Hospitality Protocol to ensure they are clear and up to date, and in March 2007 recommended Council to approve various amendments. On that date the Committee also inspected the members' register of gifts and hospitality received (an annual task), and the register of members' interests (undertaken at each meeting of the Committee).

In June 2007 the Standards Committee reviewed a proposed new Members' Code of Conduct (which was subsequently approved by the full Council in June 2007), together with arrangements for training Members in its requirements. In September 2007 the Committee reviewed the Local Code of Conduct regarding Planning and Related Matters and the Members' Protocol for Gifts and Hospitality as a result of adopting a new Members' Code of Conduct, both of which were also subsequently approved by the full Council later in September 2007.

The Audit Committee in June 2008 received the annual internal audit report for 2007/08. In September 2008 it reviewed the risk management strategy and the risk register. In January 2009 it received a report on data quality arrangements and reviewed the risk register, and in March 2009 received the annual Audit Commission audit and inspection letter for 2007/08, the Annual Governance Statement (for the 2008/09 financial year), and the Use of Resources Assessment 2008.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual plan, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan (and graded as high, medium or low) and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions were amended in June 2007 and are:

Full assurance	There is a sound system of control designed to achieve the system objectives with controls being consistently applied
Substantial assurance	Whilst there is a basically sound system, there are weaknesses that put some of the objectives at risk. The control framework may be adequate but a number of controls are not operating effectively
Limited assurance	Weaknesses in the system of controls are such as to place the system objectives at risk. Controls are not being consistently applied.
No assurance*	Control is generally weak, leaving the system open to significant error or abuse. Adequate controls are not in place to meet all of the system objectives and controls are not being consistently applied.

\* A rating of no assurance requires immediate management attention and arrangements will be made for a further review to be carried out at a later (agreed) date. Reports with these ratings must also be reported to the Audit Committee for Member scrutiny.

The Internal Audit service is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

During 2006 the Internal Audit service was reviewed by the Chief Internal Auditor of Luton Borough Council (a peer review process). A number of recommendations were made and have been implemented. In addition the Council has signed up to a 'call off contract' for audit assistance with Deloitte – this will provide in particular specialist audit support when required.

For performance management, a traffic light monitoring and reporting system is in place. Reporting to chief officers and councillors is on a quarterly basis, with corrective action plans put in place for any under-performing areas.

In the Comprehensive Performance Assessment (CPA) by the Audit Commission of July 2004, performance management was assessed as a strong area. The CPA report stated that performance management is embedded within the culture of the Council and that good systems are in place to manage performance proactively with both councillors and management taking a strong lead. The report also stated that the Council has strong financial management and a good approach to risk management. Overall the Council was placed in the "Good" corporate assessment category.

As part of the CPA framework for districts, the Council has been assessed twice under the 'Use of Resources' category. The outcome of this assessment (in March 2009) was to award a score of 3 (out of 4). The most significant areas where further development is needed are set out in section 5.0 below.

The Council's Corporate Management Group has reviewed this Annual Governance Statement and the evidence supporting it.

#### 5.0 Significant governance issues

The following governance issues were identified during 2007/08 as a result of the review of arrangements and by the work of external and internal audit:

No.	Issue	Action/Progress to date
1.	More clearly link the financial and performance information within the 'Managing our Performance' Executive quarterly reports.	All reports to committees since 2007/08 link the reporting of key financial data and Performance Information as part of the council's 'Managing our Performance' quarterly reports. These reports are also published using PBviews on the council's website.
2.	Undertake further work to evaluate the effectiveness of debt recovery actions, identify associated costs and the cost of not recovering debt promptly.	Work during 2008/09 reduced the recovery time significantly for sundry debts before legal action is taken. Further work was halted pending the recovery arrangements that will be adopted by Central Bedfordshire.
3.	Extend the arrangements for the provision of standards of ethical training to officers.	It was the intention to address this issue during 2008/09 but required workloads in respect of Central Bedfordshire made this impossible.



The following governance issues were identified during 2008/09 as a result of the review of arrangements and by the work of external and internal audit:

No.	Issue	Action/Progress to date
1.	Capital Accounting – non-adherence to the SORP and related working papers	This related to a specific aspect of the accounting requirements, and was addressed during the course of the audit. For 2008/09 accounts work has already begun on checking that the 2008 SORP requirements will be fully addressed and that the appropriate working papers will be maintained.
2.	Management of our asset base	This aspect is recognised as a weakness and will need to be addressed by Central Bedfordshire when it sets up its asset management arrangements.
3.	Extend the arrangements for the provision of standards of ethical training to officers.	This was highlighted again in the 2008 Use of Resources assessment. We do not have the internal resources to do this fully, and so this will be an issue for Central Bedfordshire to progress during 2009/10.

6.0 Certification by the Leader of the Council and the Chief Executive

**Signed:**

Date:

Date:

Leader of the Council

Chief Executive

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