

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



**TO EACH MEMBER OF THE
AUDIT COMMITTEE**

24 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 additional report(s) which had not been circulated previously. In addition, there is a replacement copy of the SBDC Statement of Accounts due to several pages having been missed from the original despatch.

8. Update on Annual Governance Statements

Please find attached the signed Annual Governance Statements for the three legacy authorities, which form part of the Statement of Accounts.

9. Bedfordshire County Council Statement of Accounts 2008/09

This report presents the Bedfordshire County Council Statement of Accounts 2008/09 to the Audit Committee for approval.

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

This report presents the replacement South Bedfordshire District Council Statement of Accounts 2008/09 to the Audit Committee for approval.

11. Mid Bedfordshire District Council Statement of Accounts 2008/09

This report presents the Mid Bedfordshire District Council Statement of Accounts 2008/09 to the Audit Committee for approval.

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

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/ 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.

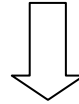
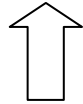
We are committed to encouraging all members of the local communities to contribute to, and participate in, the work of the Council. As part of this process we are founder members of the Bedfordshire Consultation Group ('BedsVoice') which started in 2007 and runs a residents panel of nearly 5,000 residents 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:

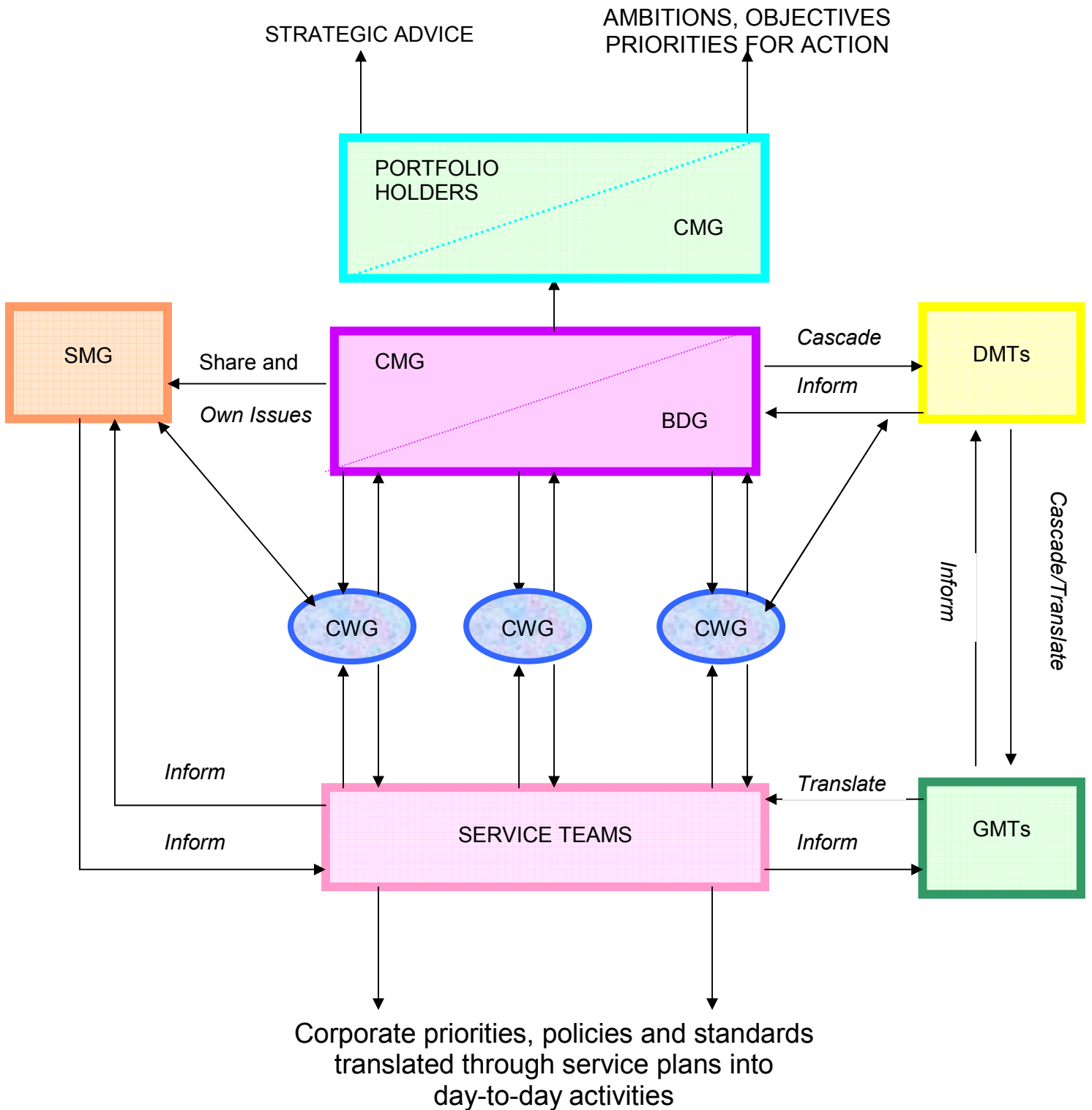
Title	Principal objectives
Directorate Management Team (DMT)	Ensures directorate contributions to CMG, SMG and other teams/groups Ensures feedback from CMG, SMG and other teams/groups is communicated within the Directorate Provides a lead within Directorate to meet corporate requirements
Group Management 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"> • the full implementation of the capital strategy and asset management plan • the arrangements for maintenance of the corporate asset register • the production of a surplus land and property register 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"> Oversee delivery of Council Plan Oversee performance and financial monitoring and planning Make operational decisions within existing policies and

	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"> • Service planning and delivery • Employment issues 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"> • Develop and updating our environmental policy • Develop and monitoring the implementation of the Council's Environmental Improvement Plan • Providing training and support for the development of a Climate Change (mitigation/adaptation) Plan
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"> • The introduction of e-procurement • The procurement strategy • The contracts register • The 'How to do business with the Council' guide • The procurement handbook 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.

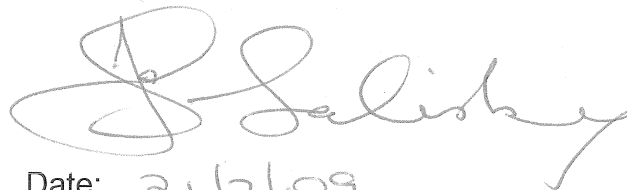
6.0 Certification by the Leader of the Council and the Chief Executive *Intervin*

Signed:



Date:

21 July 2009
Leader of the Council



Date: *21/7/09*

Intervin
Chief Executive

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Annual Governance Statement 2008/09

1. SCOPE OF RESPONSIBILITY

Mid 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. Mid Bedfordshire 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, Mid 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.

Mid Bedfordshire District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from:-

Central Bedfordshire Council,
Finance Department,
Priory House,
Monks Walk,
Chicksands,
Shefford,
Bedfordshire SG17 5TQ.

This statement explains how Mid Bedfordshire District Council has complied with the code and also meets 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. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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 and 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 Mid Bedfordshire District Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:-

- **identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

The Vision, which the Council has adopted, is: *To improve the quality of life in Mid Beds*. Of course, quality of life is a combination of many factors such as having a job, staying healthy and enjoying a safe & clean environment.

Recognising the need for clarity, the Council has set itself three aims, which are focused on what it can do to improve the quality of life for residents. These are: *To support our community; To care for the environment; and To deliver quality services*.

The Vision and Aims give us the long term framework for what we are trying to do. We need to translate this into more concrete objectives to guide our work. At Mid Beds we have five corporate objectives in place, namely:

To minimise waste, prevent and control pollution and encourage sustainability;

To help create a safer, stronger, healthier and more prosperous community;

To improve the delivery and responsiveness of Council services to our customers;

To champion community interests and ensure all sections have an opportunity to be involved/participate in decision making;

To ensure that the development of the district is in accord with the Local Plan.

Beneath these objectives are "High Level Targets (HLT's)" which are reviewed annually and which are the practical expression of our priorities for the coming year. These targets do not attempt to cover all aspects of our services, but are helpful in showing what is most important in the short and medium term.

The 12 High Level Targets were last reviewed in 2007 and are embedded within the corporate plan 2007-09. Because of the circumstances of the authority in terms of Local Government Reorganisation these targets set out our aspirations up to April 2009 when Central Bedfordshire Council comes into being.

The selection of areas as High Level Targets included consideration of a range of survey information to ensure that our priorities are consistent with public concerns. The full evaluation of this information, and the rationale underpinning the choice of targets, is included within the report to Executive

of 21 November 2007.

The High Level Targets are communicated through circulation of the corporate plan (to all staff, members and key partners) and through Horizon Magazine to the public more broadly.

- **reviewing the authority's vision and its implications for the authority's governance arrangements**

The Council periodically reviews its Vision and Objectives and would ordinarily have done so following the election of the new administration in May 2007. However, in light of local government reorganisation, members agreed to retain the Mid Beds Vision un-amended until April 2009.

Governance arrangements, including Executive arrangements, Overview and Scrutiny and Audit Committee were unaltered during 2008/09. However, during the year Mid Beds streamlined the operation of its Executive and Overview & Scrutiny functions to reduce the number of meetings. This reflects the need to direct resources to establishing the new Council for Central Bedfordshire, including the establishment of a number of member task forces' and a shadow scrutiny committee.

The approach to policy and decision making is laid down in the Council's constitution, which sets down both decision-making arrangements and responsibilities for different functions. The service planning and budget process is integrated to ensure that clear links exist between corporate objectives, service plans and budgets to enable appropriate prioritisation to take place.

- **measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

The Council monitors performance information at regular intervals, to check that we are making progress with achieving our goals. Performance measurement is used to improve services to the public, and improve accountability, i.e. the results which are achieved for the resources that are used.

Measuring performance is the foundation upon which performance management is built, and helps us maintain focus on key priorities, and question areas of poor performance.

There are different types of performance measures:-

National Performance Indicators (NPIs) are required by law and reflect the government's priorities. These provide national comparisons of performance;

High Level Targets (HLTs) are set by Members and reflect our local priorities (some of which will also be national priorities). These align directly to our Corporate aims and objectives;

Local Performance Indicators (LPIs) are set by Directors through service planning, and reflect both local objectives and day-to-day management.

Members of the Council agree a budget at the beginning of each year. This is monitored by officers on a monthly basis to identify whether expenditure and income show any major variances. Budget monitoring reports are then presented to Management Team and the Overview and Scrutiny Committee on a quarterly basis. Using briefing books, which are published at various intervals, the Council can see how well it is delivering on its day-to-day services, and on the range of long-term plans and strategies, for example the Crime & Disorder Reduction strategy and the Sport and Physical Activity strategy.

A performance management software system (PB Views) is used across all divisions. This primary dataset is known as "Vital Signs" and consists of approximately 50 indicators. It is collated and presented quarterly to the Scrutiny committee, who hold the relevant Executive member (Portfolio Holder) to account for performance in their portfolio. The content of the Vital Signs data set was reviewed in March 2008. Management Team and Corporate Management Group receive bi-monthly presentations of performance data, based upon Vital Signs, but augmented with a selection of further indicators of interest to senior managers.

With regard to ensuring that services are delivered in a cost effective manner, the Council utilises cost comparison information provided by the Institute of Public Finance. This shows that the Council provides good value for money (both overall and within services). This was confirmed within the Council's corporate performance assessment carried out in 2007 and in the latest Use of Resources (VFM) assessment, whereby a scored judgement of 2 was assessed by the external auditors

- **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The Council Constitution lays down the roles and responsibilities of specific Officers, Members and Committees. It also lays down the delegation arrangements and protocols that both Officers and Members are expected to follow.

- **developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Part 5 of the Council's Constitution sets out the Code of Conduct expected of Council Members, together with various other codes and protocols. Following the changes to the Code in May 2007 training was rolled out to all Members of the District Council and also to Town and Parish Councils to ensure they were aware of the changes contained within the new Code. Training continues on an ad hoc basis as required.

Additionally, Members also have completed new Register of Interest forms, which were approved by the Ethics & Standards Committee, together with guidance in January 2008.

- **reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Council's Constitution, incorporating procedures, financial instructions, scheme of delegation, etc. underwent a review in 2006. Subsequently, areas of the Constitution are reviewed / updated as the need arises and suitable authorisation for such changes is obtained. The Financial Procedure Rules were revised in June 2006, to take account of a CIPFA "best practice" model. These are not intended to be reviewed on a cyclical basis. Instead their contents are reviewed / revised when, for operational reasons, it is deemed appropriate.

All the Council's financial records are governed by various computerised systems. It is for the system owners to ensure there are appropriate supporting procedure notes / manuals, that define how decisions are taken, and the controls required to manage the risks.

- **undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

The Council introduced a new Audit Committee in May 2007. Its Terms of Reference are set out in Part 3 of the Council's Constitution, and are broadly in accordance with the CIPFA guidance document. The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

- **ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council has designated the Director of Corporate 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. The Council has agreed a constitution, which sets out how the Council operates, how decisions are made, and the procedures, which are followed to ensure that these are efficient, transparent and accountable to local people. The Monitoring Officer will report to full Council, or to the Executive in relation to an Executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

The Council has designated the Chief Finance Officer as the s151 Officer. This Officer has the specific statutory responsibility to ensure the proper arrangements of the authority's financial affairs, and to set the financial management standards and to monitor compliance with them. This is achieved through compliance with Financial Procedure Rules, as laid down in the constitution. This is the framework to be followed, and applies to every Member and Officer of the Council, and anyone acting on its behalf. The Chief Finance Officer will report any breaches of these rules to the full Council and the Executive. The Chief Finance Officer will report to full Council, or to the Executive in relation to an Executive function and the Council's External Auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an

item of account unlawfully.

The Council maintains an Internal Audit Section. It is the role of the auditors to assist management, by reporting compliance with the Council Financial Procedure Rules as laid down in the constitution.

The Council is fully committed to the principles of good corporate governance. This is demonstrated through the measures outlined within a Corporate Governance - Code of Practice, which was revised in March 2008, and the many documents / processes already in place. Regular reviews against a CIPFA/SOLACE checklist are carried out. The results having been reported to our Audit Committee.

Councillors review proposed changes to the policies and procedures. The Audit Committee approves the Anti Fraud and Corruption Policy, and related policies, and monitors the operation of those codes and practices.

The Chief Executive has overall responsibility for ensuring that risks are effectively managed within the Council. The Management Team act as the Council's co-ordinating group on Risk Management, rather than having a separate group established. All Directors of Services and the Chief Finance Officer, in conjunction with their staff have identified, analysed and profiled their operational risks. These operational risks have been identified in risk registers and the operation of controls to mitigate the risks to an acceptable level. Management at all levels are responsible for establishing the internal control environment, ensuring staff comply with controls. The Internal Audit section assists Management, by reviewing operations in accordance with an audit plan, to confirm compliance with procedures / controls and recommending further improvements where necessary. A control environment statement was included in every audit report issued. The Directors of Services signed off Risk Assurance and Internal Control Assurance Statements. This enabled a wider impression of the risk and control environment to be given.

- **whistle-blowing and for receiving and investigating complaints from the public**

The Whistle-blowing Code was reviewed by the Council's Ethics and Standards Committee on 6 December 2006. Complaints under this Code are investigated by the Monitoring Officer. There have been no complaints this year.

In addition, a formal procedure operates for complaints received from members of the public. The results of which are reported quarterly to the Ethics and Standards Committee.

- **identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

All Officers' undertake a Personal Development Review on a six monthly basis. Part of which, is to determine any development / training needs necessary to enable Officers to be more effective when carrying out their roles and responsibilities.

A training programme is developed for Members to follow, including an

extensive induction programme for new Members.

- **establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council, as part of a county wide consortium, operates a resident's panel (BedsVoice) which is used as a sounding board for consultation purposes. This is supplemented by a range of "subject specific" consultations carried out in a way which fits the particular needs. In the last year, issues which have been subject to consultation have included waste and recycling.

The Council also undertakes sector specific consultation exercises and in the last year this has included direct consultation with the transgender community and with disabled people. This combination of approaches ensures that we understand and communicate with our stakeholders in a comprehensive manner.

- **incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

Management Team identified the significant partnerships with which we are involved. Assurance reporting arrangements includes reporting on the governance arrangements of our significant partnerships. This information is incorporated into our overall governance arrangements e.g. in accordance with our local code of governance.

4. REVIEW OF EFFECTIVENESS

Mid Bedfordshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the Management Team within the authority, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by appropriate Officers, external audit, other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the governance framework, is as follows:-

- **The Council** – This is the body that consists of 53 Members and which exercises all its powers and duties in accordance with the law and Constitution. Article 4 of the Constitution sets out its role, including its functions.

- **The Executive Committee** – This is the body responsible for the majority of day-to-day decisions. The Executive can only take decisions, which are in line with the Council’s Budget and Policy Framework. If it wishes to make a decision that is outside the Budget or Policy Framework, this must be referred to the Council as a whole to decide. As a control mechanism, there is a procedure to allow decisions made by the Executive, but not yet implemented to be “called in” for review by the Scrutiny Committee. A detailed “call-in” scheme is appended to the Overview and Scrutiny Procedure Rules in the Constitution and sets out the provisions governing the “call-in” of Executive decisions. No “call-ins” were made during 2008/09. The Executive consists of the Leader, who is elected by the Council, together with at least six but not more than nine Councillors who are appointed by the Leader. The Leader has the authority to determine the Portfolio structure of the Executive and to allocate Portfolios to individual Members of the Executive. The Portfolio Holders work closely with the Directors of Services responsible for the operational activities within the Portfolio. Regular meetings of the Management Team, Directors of Services and Portfolio Holders are held to ensure co-ordination of corporate and operational objectives. Portfolio Holders are accountable, on behalf of the Executive, in respect of the Portfolio and are responsible for presenting reports and recommendations at meetings of the Executive, justifying proposals and responding to questions. They are also accountable to the Overview and Scrutiny Committees and the Council, as appropriate.

- **The Audit Committee** – This Committee oversees our corporate risk management and governance arrangements, receiving regular updates. This helps to ensure our arrangements are effective, and in accordance with approved strategy and policy documents. The Anti Fraud and Corruption Policy was last reviewed / updated December 2007. The Council continues to have a very low instance of fraud and corruption, supported by these documents. All these documents are available to both Officers and Members of the public.

An assessment of the effectiveness of the Audit Committee was carried out, against a CIPFA Audit Committee checklist in January 2009. There were no significant issues highlighted, and no action plan was proposed, partly due the decision to supersede Mid Bedfordshire District Council with Central Bedfordshire Council from April 2009.

- **The Overview and Scrutiny Committees** – The Council introduced revised Overview and Scrutiny arrangements with effect from April 2005, with the aim of establishing an influential overview and scrutiny function, which adds value to the Council. The Overview Committee assists the Executive and the Council in the development and review of its Budget and Policy Framework and other policies and strategies by in-depth analysis of policy issues. The Scrutiny Committee reviews and scrutinises decisions and performance in relation to the Council’s policy objectives, performance targets and/or particular service areas. A further Constitutional review was conducted during early 2006, where a number of minor adjustments were made to the Council’s call-in scheme. These revised overview and scrutiny arrangements are acknowledged as a success.

- **The Ethics and Standards Committee** - The Council acknowledged the increase in workload for the Ethics and Standards Committee following the introduction of the new local regime which deals with complaints received in relation to Members' conduct. The Standards Board for England previously dealt with these. The constitution was amended to set up the necessary Sub-Committees to deal with the process and these have met. Additionally, the new monitoring of performance regime required by the Standards Board for England has been implemented.
- **Internal Audit** – It is not feasible for all activities, in all divisions, to be reviewed by Internal Audit on an annual basis, nor would it be cost effective to do so. The Audit Manager prepares an annual audit plan in accordance with the audit strategy and based upon an assessment of those areas to be reviewed and the anticipated audit resources needed to complete the plan. This audit plan is then reviewed and approved by the Chief Finance Officer (s151 Officer) and reported to the Audit Committee for information.

For each audit review, a brief is developed, with auditee management. Sample testing is performed to test that controls laid down by Management are working as expected, highlighting risks and making recommendations for improvements in the audit report.

A copy of the audit report is issued to the relevant Director of Service, s151 Officer and Service Manager. This report includes recommendations for improvements that are included within an action plan and require agreement or rejection by Service Managers.

Each audit report contains the auditors' assessment of the internal control environment operating over areas reviewed. This is based upon the number and significance of the recommendations made. An executive summary of the audit findings / control environment is issued to Management Team, as part of the reporting process. Copies of the executive summaries of all audit reports are available to Audit Committee Members, if required.

The Auditor carried out all eleven "fundamental" reviews planned to be completed in the year, supplemented with five "other" reviews. The Audit Manager is pleased to report that "Satisfactory" and above controls have been introduced by auditee management in the areas audited, and these controls were working as expected. This was an overall improvement of the control environment in the areas reviewed, when compared to 2007/08.

All audit reports are routinely followed up, to determine whether agreed audit recommendations have been suitably addressed. In September 2008, all agreed recommendations made in audit reports issued between July 2007 and June 2008 were followed up. The Audit Committee were subsequently informed that all 17 agreed recommendations had been suitably addressed. No subsequent follow-up work has been carried out.

No formal effectiveness review of our processes against the CIPFA Code of Practice for internal audit in local government has been carried out. However, the Audit Manager, is broadly satisfied that internal audit still complies with the latest CIPFA Code of Practice.

To obtain customer feedback on the Internal Audit service provided, an end of year questionnaire was sent to the Directors, Chief Executive and Members of the Audit Committee, as our main stakeholders. The feedback received indicates the auditors continue to provide a useful role, which adds value to MBDC.

Information from the audit reviews undertaken; the follow up of agreed audit recommendations; and other assurance statements obtained enabled the Audit Manager to issue an opinion that the overall adequacy and effectiveness of Mid Bedfordshire District Council Internal Control Environment continues to be "Satisfactory."

- **Other explicit reviews / assurance mechanisms**

Other assurance mechanisms include the annual Direction of Travel report from external auditors and included within the Audit and Inspection Letter presented to Members. The 2007/08 report was positive and highlighted no significant issues of concern in respect of the performance of the authority.

Corporate Governance Arrangements

Mid Beds District Council is committed to having sound Corporate Governance arrangements.

Senior Officers met in September 2008 and January 2009 to score our governance arrangements against a CIPFA / SOLACE checklist. This checklist includes risk management and internal control, and an action plan is noted to deal with any issues identified. Officers concluded that there is a strong regulatory framework of control, with robust arrangements for monitoring and review. The results noted on the checklist were reported to Management Team and then onto the Audit Committee (who oversee governance arrangements).

As part of the assurance process, relevant Officers prepared "Significant Partnership Assurance Statements". This required Officers to indicate whether satisfactory governance arrangements were in place. These assurance statements were prepared by appropriate Officers and endorsed by the relevant Director or Member, to indicate that the statement contents agreed with their knowledge. Action plans were recorded to address any issues identified as part of the assurance statement process.

The governance arrangements for all four significant partnerships were reported as "Satisfactory".

However, detailed information about the governance arrangements of these significant partnerships has not been obtained to confirm statements made are accurate.

Corporate Risk Management Arrangements

The Council has designated the Chief Executive, Deputy Chief Executive, four Directors and the Chief Finance Officer as its Management Team. Part of the function of Management Team is to identify Corporate Risks; to review the Corporate Risk Register on a quarterly basis; to agree risk scores and actions where required to reduce the risks to an acceptable level. The risk register results were reported to the Audit Committee (who oversee risk arrangements).

The Corporate Risk Register was reviewed three times during the year (June, September and December 2008) and the scores awarded were appropriate to the risks identified. The fourth review, planned for the end of March 2009 did not occur, as it was determined to be of little benefit, due to the fact that Mid Bedfordshire will cease after 31st march 2009.

These Risk Management arrangements enabled a Corporate Risk Assurance Statement to be issued. This indicated: - that all significant risks have been identified; and the scores awarded were appropriate to the risks identified. There were no Corporate Risks identified (at any time) that were awarded a residual score that needed urgent action to reduce the risk to an acceptable level. This Corporate Risk Assurance Statement has been further strengthened, by obtaining the endorsement of the Leader of the Council, to indicate that the statement content agrees with her knowledge.

The risks of our significant partnerships failing are recorded on the Corporate Risk register. All were reported to be at low risk of failing during the year.

As part of the assurance process, relevant Officers prepared "Significant Partnership Assurance Statements". This required Officers to indicate whether satisfactory risk management arrangements were in place. These assurance statements were prepared by appropriate Officers and endorsed by the relevant Director or Member, to indicate that the statement contents agreed with their knowledge. Action plans were recorded to address any issues identified as part of the assurance statement process.

The risk management arrangements for all our significant partnerships were reported as "Satisfactory", apart from the Beds Community Safety Partnership. Officers have indicated that satisfactory arrangements will be put in place, post March 2009 for the new partnership.

Operational Risk Management Arrangements

The Deputy Chief Executive, four Directors and the Chief Finance Officer were able to issue Operational Risk Assurance Statements. This was a result of operational risk registers being in place for service areas. They confirmed that the risk registers had been reviewed at least twice during the year, and the scores awarded are appropriate to the risks identified. They gave an assurance that all significant operational risks for which they are responsible have been identified and recorded in operational risk registers.

Any Operational risks that were awarded a residual score of 7, 8 or 9 (any time during the year) were identified, together with actions taken or proposed, to reduce the risk to an acceptable level. In addition, such risks were reported to Management Team with the Corporate Risk Register, so they are aware, and can monitor / ensure that appropriate action is taken to reduce the identified Operational risk(s) to an acceptable level. The Operational Risk Assurance Statements have been further strengthened, by obtaining the endorsement of the relevant Portfolio Holders, to indicate that the statement contents agree with their knowledge.

Internal Control Arrangements

The Deputy Chief Executive, four Directors and the Chief Finance Officer completed Internal Controls “Service” Assurance Statements. This was achieved by Officers carrying out a “Service” Assurance Assessment of Internal Controls.

In some Directorates, more than one service assurance statement was produced. The vast majority of these statements indicated a “High” assurance rating was determined. This helps indicate that appropriate internal controls were in place and were operating to reduce significant operational risks, to an acceptable level. There were only two areas e.g. Environmental and Planning; and Customer Services, where only a “Medium” assurance rating was determined.

Where appropriate, actions taken or proposed to resolve identified control issues have been recorded on these assurance statements. For example, within the Finance area, concerns were raised about IT and Office inventory records, given the high levels of activity in these areas concerning the implementation of Central Bedfordshire. Finance Officers recommended that physical inventory checks be carried out to ensure that the new authority has an accurate record of the assets transferred to it. In view of the practical difficulties due to local government re-organisation, the Chief Finance Officer has determined a 10% check be carried out prior to 31st March 2009. These Internal Control “Service” Assurance Statements have been further strengthened, by obtaining the endorsement of the relevant Portfolio Holders, to indicate that the statement content agrees with their knowledge.

Director of Corporate and Democratic Services

The Director of Corporate and Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. A comprehensive review of the Constitution occurred during 2004/05, following detailed consideration by an Overview and Scrutiny Task Force. A further review was conducted during 2005/06 to consider whether revised political management structures had achieved the aims set in amending the Constitution. As a result of the review some further amendments were approved for implementation during 2006/07 including increasing the number of independent persons serving on the Ethics and Standards Committee and making provision for the Committee to be chaired by one of the independent persons. The Constitution remains under constant review with reports recommending revisions being submitted to the Council as necessary.

Members/Senior Officers have access to appropriate training to ensure continued development and support of their needs.

The Monitoring Officer is of the opinion that arrangements for Mid Beds District Council to be in compliance with established policies, procedures, laws and regulations were "Satisfactory" and operated throughout the financial year.

This assessment is based upon the annual report issued to the Ethics and Standards Committee, other documentation relating thereto in respect of Ethical issues for the Municipal year, and personal knowledge.

Chief Finance Officer

The Chief Finance Officer (the s151 Officer) has a duty to make suitable arrangements for the proper administration of the financial affairs of the Council. This is achieved via Financial Procedure and Procurement Procedure rules, which all Officers and Members of the Council have a responsibility to adhere to. These rules were fully updated in June 2006 in line with the CIPFA model, with minor changes being made during 2007/08, for operational reasons. These rules provide a strong control environment, which Officers continue to follow. No significant breaches of these rules occurred during the year. Technical breaches did occur, but none warranted disciplinary action being taken.

The latest "Use of Resources" assessment, and personal knowledge enabled the s151 Officer to issue the following statement to the Council: - that the financial accounting and reporting arrangements for Mid Beds District Council were "satisfactory" throughout the financial year. The arrangements to plan and manage its finances for Mid Beds District Council were also "satisfactory" throughout the financial year. In addition, the arrangements to safeguard the financial standing for Mid Beds District Council was "satisfactory" throughout the financial year. The internal control environment for Mid Beds District Council was "satisfactory" throughout the financial year, to enable it to manage its significant business risks.

Corporate Policy Manager

The Corporate Policy Manager is of the opinion that “Value for Money” arrangements were “Satisfactory”. This assessment is largely based upon the latest Use of Resources (VFM) assessment, whereby a scored judgement of 2 was assessed by the external auditors, and the “good” outcome of the Council’s 2007 comprehensive performance assessment.

Also, performance reporting arrangements were “Satisfactory” throughout the financial year. This assessment is based upon the production of regular performance reports, the ongoing use of Actuate software i.e. PBViews to monitor performance; an unqualified audit opinion for the Council’s best value performance plan and performance indicators; and an adequate score for the external audit of the Council’s data quality arrangements.

The Council has in place a Policy and Performance Improvement team, who monitor and regularly report performance achieved to Members and Management Team against targets set. Members and Managers have confidence in the accuracy of data being reported to them. The Audit Commission’s annual audit of data quality showed that management systems were adequate, with no performance indicators reserved or qualified.

Systematic monitoring and review of performance is firmly embedded. Evidence lies in:-

Routine quarterly performance reports to Scrutiny committee, Management Team/CMG;

Comprehensive service planning, linked to the budget;

Performance, including targets, is discussed at team meetings;

Director/Portfolio Holder meetings;

In 2008 the Audit Commission examination of “Use of Resources” concluded that the Council’s arrangements, including value for money was adequate, scoring 2 out of 4.

Emergency Planning Officer

The Emergency Planning Officer is of the opinion that the arrangements to comply with the Civil Contingencies Act, during the year were “satisfactory”. This assessment is largely based upon personal knowledge, plans of capability, exercises and training arrangements in place, and positive feedback received from Elected Members.

Mid Beds Crisis Management plan was activated in 2008 for minor incidents – some examples include reacting to burst water mains, and a potential fuel dispute.

It was agreed at Management Team in April 2008 that in light of Local Government Reorganisation the existing arrangements would continue 'as is' until April 2009. Whilst there has been some reduction in numbers of trained Flood Team members, this was accepted in light of Local Government Reorganisation and is mitigated by the provision of mutual aid by the new Bedfordshire County Council flood team who will work under Mid Beds' direction.

The partnership arrangements within the Local Resilience Forum remain strong with good results on the government's 2008 National Capability Survey, and positive feedback from the Government Office when comparing across the East of England.

The controls put in place included:-

Mid Beds' Crisis Management plan in place, last revised November 2007;

Divisional Business Continuity Plans in place, last revised July 2008;

Plans stored securely off-site with Emergency Contacts List (last revised January 2009), Next of Kin details and all officer home contact details updated (last revised July 2008 – technical problem with Snowdrop being resolved to provide final update);

39 Officers issued with Mid Beds Crisis Management Plan;

Ten trained 1st Responders;

Ten trained members of Flood Team, last trained and exercised November 2008;

Briefing to Elected Members at Full Council June 2008;

Plans last exercised in November 2008 (major Local Resilience Forum exercise);

BCM programme to April 2009 signed off by Management Team in April 2008. This included approval of updated Business Impact Analysis and Business Continuity strategies for accommodation, Information Technology and contractors; and increasing cover under SunGard IT Disaster Recovery contract in light of Business Impact Analysis.

External Audit

Other assurance mechanisms include the annual Direction of Travel report from external auditors and included within the Audit and Inspection Letter presented to Members. The 2007/08 report was positive and highlighted no significant issues of concern in respect of the performance of the authority.

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TO CONCLUDE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by a group of senior officers and the audit committee, who conclude that a detailed plan to address weaknesses and ensure continuous improvement of the system is not required. The review of local government in Bedfordshire has determined that Mid Bedfordshire District Council will be superseded, as part of a new Authority Central Bedfordshire, to be set up from April 2009. Officers' attention and efforts during 2008/09 were targeted at creating sound governance arrangements for this new authority while ensuring that established systems operating in Mid Beds continued to function effectively in Mid Beds' final year.

5. SIGNIFICANT GOVERNANCE ISSUES

In last year's Annual Governance Statement, no significant governance issues were identified, where further improvements could be made to the control environment.

Following a review of our governance arrangements for 2008/09, the following significant control issues were identified, where areas of improvement are needed for the new Council:-

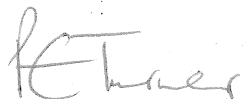
Ethical training for all staff needed.

Training for members of the Audit Committee in terms of role and responsibility is needed.

Risk Management training is appropriately aimed at all staff.

Governance arrangements to be defined and implemented.

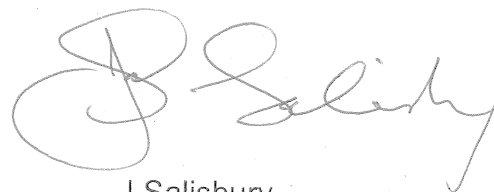
No action plan is shown for the governance issues identified above, as it felt inappropriate to record actions for a new Council to implement. Instead, these issues are shown for the new Council to consider and action as deemed necessary.



P Turner MBE
Leader

21 July 2009

Dated



J Salisbury
Interim Chief Executive

Dated

21/7/09

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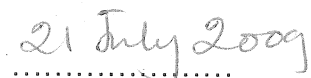
Annual Governance Statement for Bedfordshire County Council

Attached at addendum A is the Annual Governance Statement approved by Bedfordshire County Council as at 31st March 2009.

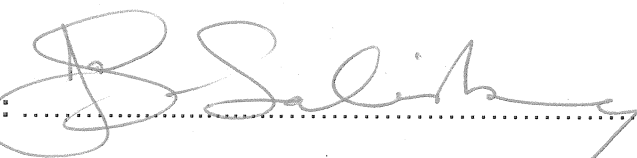
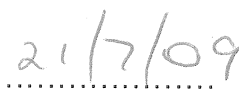
Central Bedfordshire Conclusions

There are a number of concerns surrounding the governance arrangements with the Primary Care Trust and Bedford and Luton Partnership Trust relating to the transfer of services and funding for learning disabilities, on-going funding of continuing health care as well as the quality of the statutory functions of social care being delivered by these partners.

In addition a number of work streams of the two new unitary authorities have identified some performance and risk issues that could affect the successor authorities. As a result this Annual Governance Statement reflects the factual position known to Central Bedfordshire at this time. Further due diligence work is being carried out to confirm and quantify the impact that these which will result in a list of candidate issues that will highlight areas for further review.

Signed:  Date 

Leader of the Council, Central Bedfordshire Council

Signed:  Date 

Interim Chief Executive, Central Bedfordshire Council

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Bedfordshire County Council
Annual Governance Statement

SCOPE OF RESPONSIBILITY

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

Bedfordshire County 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 carried out, making sure it delivers services with economy, efficiency and effectiveness.

The County Council is responsible for putting in place proper arrangements for the governance of its affairs, to enable it to carry out its functions, which include arrangements for the management of risk.

Bedfordshire County Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website and can be obtained from the Monitoring Officer or the Head of Internal Audit.

This statement should be read in conjunction with the Code of Corporate Governance. It explains how we have complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 on the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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 and 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, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bedfordshire County Council since 2001 and in this particular form since 2008.

THE GOVERNANCE FRAMEWORK

This section of the Annual Governance Statement describes the key elements of the systems and processes that make up the authority's governance arrangements:

Bedfordshire County Council's vision

The Council's vision, its purpose and outcomes for its communities is set out in *Making Bedfordshire Thrive*. The Sustainable Community Strategy and its vision are both owned by the Countywide Partnership, with the County Council as the accountable body. The aim is to provide a common sense of direction for all partner organisations in Bedfordshire shaping and aligning our strategies and plans.

The Sustainable Community Strategy supports the County Council's vision for the future. The strategy was updated in April 2008 with a renewed evidence base, revised performance indicators and new targets. The Council's Medium Term Strategy, Making Bedfordshire Thrive programme and contribution to the Local Area Agreement are all key components of the Council's delivery of its vision.

Service quality

Each directorate provides information on performance indicators, which are incorporated into service plans. A performance report, containing a number of key indicators (set locally and nationally) is reviewed by the Corporate Management Board, relevant Portfolio Holders and the Overview and Scrutiny Committees each quarter. The Council's year-end performance position is detailed in its Annual Report.

Key roles and responsibilities

The terms of reference, roles and responsibilities for members of the Executive and all other Committees are set out in the Constitution, which went through a fundamental review completed in January 2008. The Scheme of Delegation sets out the roles and responsibility of officers and the powers delegated to officers by the Executive. The Protocol for Member / Officer Relations defines further the day-to-day roles and responsibilities of officers and members.

Codes of conduct and standards of behaviour

Employees of the Council must abide by the rules set out in the Code of Conduct for staff. The standards of behaviour expected of Members are set out in the Member Code of Conduct. All new Members must sign up to the code upon taking office. The Chairman of the Standards Committee is an independent member and 50% of the membership of the Committee is independent. The Committee operates an ethical risk register to guide its work programme. In 2008 the Council successfully implemented the new regime for dealing with complaints against Members. Through its Assessment and Review Sub Committees the Standards Committee has dealt with three complaints. None of them resulted in a full investigation or hearing before the full Committee.

Decisions, processes and controls

The rules governing how the Council operates are set out in the Council's Constitution. Rules are set out which govern the procedural elements of business, while financial regulations set out how financial activity is carried out and how financial interests are safeguarded. The Scheme of Delegation sets out the role of the Chief Executive and each of the directors. It also sets out the delegated authority given to officers in order to carry out the business of the Council. The Corporate Risk Management Strategy outlines the arrangements to ensure the Council identifies and deals with the key risks it faces.

Functions of the Audit Committee

Under the corporate governance and assurance framework the Audit Committee is responsible for reviewing the Annual Governance Statement and advising the Council or Executive on matters. The terms of reference of the Audit Committee are set out in the Constitution. The Audit Committee has been effective in monitoring the Council's financial and risk management arrangements throughout the year. Internal Audit undertakes a risk based approach to its annual audit work, which is approved by the S151 officer and agreed with the Audit Committee.

In addition, the Audit Committee is the governing body charged with monitoring the internal control environment of the Council. The Committee has successfully tracked internal and external audit recommendations to ensure the continuous improvement of key systems and compliance with audit recommendations. This involves closely monitoring progress against current recommendations arising from all external inspection reports and high risk recommendations from internal audit reports, on a quarterly basis. Where issues are raised, the Committee calls the relevant senior manager to attend the Committee to explain what is being done to rectify the situation and closely monitors progress.

Compliance with relevant laws and regulations

The functions of the Monitoring Officer and Section 151 Officer are specified in the Constitution. The Assistant Director for Corporate Governance, as monitoring officer, is responsible for ensuring lawfulness and fairness in decision making. The Director of Resources as the appointed Section 151 Officer is responsible for ensuring lawfulness and financial probity and prudence in decision making. The Head of Internal Audit is responsible for providing assurance on internal controls, ensuring that there are adequate mechanisms in place for the reporting and investigation of fraud, and ensuring that the risk management framework is robust.

Whistle-blowing and complaints

Members and employees are positively encouraged to raise concerns regarding fraud or corruption via the Council's Whistleblowing Policy and Anti-fraud and Anti-corruption Strategy. The Audit Committee and the Standards Committee approved the policy and the strategy which advocates a zero tolerance on fraud. Internal Audit undertakes special investigations and works with the police, where necessary. The Head of Internal Audit maintains separate logs of all fraud investigations and whistleblowing. The Customer Charter sets out the standards of service that the Council is committed to providing to its customers. The Overview and Scrutiny Committee considers the effectiveness of the customer charter.

Development and training

To help identify staff training and development needs, the Council uses a PDR (Performance Development Review) process. Development needs are incorporated into a personal development plan. For members, there is a Member Development Strategy. The Strategy is monitored by a member development steering group. The Council also places significant emphasis on organisational development and the support for all staff within an overall framework of organisational value and behaviour.

Channels of communication

As a means of establishing clear channels of communication, the Council has produced Customer Engagement Strategy and a Communications Strategy. The internal and external communications service has previously been recognised nationally as being amongst the best.

Partnership governance

The Council has a document - Partnership Governance Principles – which sets out the principles for governance arrangements for public and private sector partnerships. The Council has also produced a Guide to Partnerships, which is considered best practice nationally. The Council places strong emphasis on managing the performance of key partnerships as illustrated through specific performance clinic work across, for example, the Environment Directorate, including in conjunction with its highways contractor, Amey.

REVIEW OF EFFECTIVENESS

Bedfordshire County Council is responsible for conducting a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the officers within the Authority who have responsibility for the development and maintenance of the governance environment, assurance work undertaken by Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates. The Head of Internal Audit has undertaken a review of the effectiveness of internal audit and a review of the effectiveness of the systems of internal control. Senior officers have signed the annual statements of responsibilities confirming that during the year they have:

- Ensured that there are arrangements in place for establishing directorate objectives and compliance with corporate priorities
 - Ensured compliance with the Council's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations)
 - Ensured arrangements for sound budgetary controls
 - Effectively monitored and managed performance
 - Reported to the appropriate member committees
 - Responded promptly to internal & external audits & inspections
 - Continuously managed business risks and service continuity arrangements
- Significant work has taken place to successfully put risk management into the heart of decision making, strategic planning and performance processes. The Council is now risk enabled and active management of risk is undertaken throughout the organisation.

During 2007, officers received a service control pack. The pack is a tool designed to assist officers in the understanding and management of internal controls in their service areas. It is not an exhaustive and/or all inclusive pack; however it does include the core business information and can be personalised to service area and needs. This pack is kept up to date by Directors and Assistant Directors. An electronic master copy is maintained by Internal Audit and Risk Management.

In 2007/2008 a member steering group was set up to carry out an annual governance review. The member steering group allowed a significant member input into the process and development of the Code of Corporate Governance and provided the appropriate challenge to existing arrangements providing the assurance necessary to complete the Annual Governance Statement.

During the course of the review our corporate governance framework was revised following the publication of "Delivering Good Governance in Local Government" by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in July 2007.

The member steering group led the development of the Code of Corporate Governance. It also undertook a gap analysis using the CIPFA/SOLACE framework.

During 2008/9 the Council's main focus has been highlighting and mitigating the risks relating to the local government restructuring in Bedfordshire, particularly the risks in disaggregating county services, through a high level Unitary Risk Register and Transitions Issues log.

Therefore this year we have taken a lighter touch approach to the preparation of the Annual Governance Statement and have not formed a Member Steering Group. However, key Members including the Leader of the Council, the Opposition Leaders and the Chairman of the Standards Committee were consulted in preparing the Annual Governance Statement.

During 2008/9 the processes for managing and monitoring performance were further embedded. The positive overall Use of Resources judgement for 2007/8 at Level 3 demonstrates the Authority's commitment to improved financial control and management of risks. A Level 4 assessment was achieved for the management of significant business risks and promoting external accountability in relation to financial reporting. The Use of Resources Assessment concluded that the Council is performing well in all of the five themes assessed and there had been particular improvements in Financial Reporting and Internal Control.

During 2008/9 additional controls have been introduced to ensure that there is a robust governance framework in place to address any additional risks that may arise during the close down the County Council. A three quarter year closure of accounts was undertaken at the end of December to ensure a smooth final closure of accounts and specific resources have been committed to this.

The review of the effectiveness of internal audit was undertaken by the Head of Internal Audit using the CIPFA matrix for assessing internal audit. It confirmed that the systems of internal audit operated in accordance with CIPFA's Code of Practice. This demonstrates that the previous improvement in the results of the managed audits has generally been maintained.

The CSCI Safeguarding Inspection was conducted in May 2008, and reported in September 2008. It found services to be adequate, and that prospects for improvement were uncertain. An Action Plan was drawn up to respond to the recommendations of the report, which is currently assessed as being on track for delivery. The two new Unitary Councils have agreed that they will refresh the Action Plan and continue the programme of improvement. CSCI will review progress in the autumn of 2009.

In December 2008 Ofsted released its Annual Performance Assessment of Children's Services. The assessment concluded that Bedfordshire County Council provides services that make a good contribution to outcomes for children and young people. It delivers services that overall are above the minimum requirements and which make an outstanding contribution to keeping children and young people safe. The management of children's services is good as is the capacity of the council to make further improvements.

SIGNIFICANT GOVERNANCE ISSUES

The review of systems of internal control disclosed that they were effective in 2008/09. During the year we have taken steps to address the matters identified in the 2007/8 Annual Governance Statement to further enhance our governance arrangements. We are satisfied that these steps have improved the overall governance in place. However the following issues remain of concern:

- To date only 42% of schools scheduled for assessment between 2006-07 and 2008-09 have met the Financial Management Standard in Schools (FMSiS). Problems have been encountered with many schools submitting their evidence portfolio for assessment at the very end of each financial year (e.g. March 2009 for 2008-09) which has contributed to a backlog of assessments. A further issue has been non-submission of evidence by schools which results in an automatic fail, and a rescheduled deadline for assessment at a later date. Anticipated. A more rigorous approach to the scheduling of assessments in 2009-10 is required, and schools may require additional support from the relevant new unitaries.
- Although most of the payroll weaknesses that were identified during the 2007/8 managed audit reviews have been addressed the 2008/9 review has identified new concerns relating to access levels which have emerged since the SAP Payroll implementation.
- In addition the managed audit reviews for 2008/9 have identified concerns relating to IT security, including access and authorisations.

The above issues will need to be addressed by the new authorities. As a result, an action plan for 2009/10 has not been produced. It will be more appropriate for the new authorities to produce relevant action plans. In addition, we would encourage them to refer to the Unitary Risk Register and Transition Issues log to move forward on the risks and issues that have been identified. The budget and financial constraints of the new authorities will necessitate robust financial and performance management to ensure that the objectives of the organisations can be achieved.

CONCLUSION

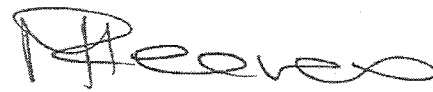
This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2008/9. However, it should be noted that it has been produced prior to the production of the annual statement of accounts and is informed by Internal Audit managed audit assurance work which covers the period up to December 31st 2008. The statement may need to be revisited once fundamental systems assurance work has been undertaken for the final quarter of the year.

As mentioned before during 2008/9 our main focus has been highlighting and mitigating the risks relating to the local government restructuring in Bedfordshire, particularly the risks in disaggregating county services. The County Council is now focussing on passing on its services and staff to the two new unitary authorities to be created on 1 April 2009.

The Council's Corporate Overview and Scrutiny Committee undertook a review of the progress within the County Council in supporting the transition to two new unitary councils in Bedfordshire. The Committee found that since the date of the decision in the Judicial Review proceedings, which coincided with the Government's final decision, the County Council had proactively supported the setting up of the two new unitaries with the provision of information requested and active identification of key issues as well as the successful transfer of staff.

A peer review conducted by the Regional Improvement & Efficiency Partnership (RIEP) examined the role of the County Council in supporting the transition to two new unitaries. The preliminary findings are very positive, with the team highlighting the County Council having met all of its obligations and more, whilst continuing to deliver high quality services to the people of Bedfordshire.

In addition, the County Council willingly engaged with the Audit Commission with their Local Government Review (LGR) work in Bedfordshire, as we supported their analysis that the reorganisation represented a potential risk to public services. The Audit Commission acknowledged that Bedfordshire County Council had supported the LGR in a very thorough way.



Signed:.....
Leader of the Council and the Chief Executive on behalf of Bedfordshire County Council

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BEDFORDSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS FOR 2008/09

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1) NEW UNITARY COUNCILS

The Statement of Accounts for 2008/09 is the last one to be prepared for Bedfordshire County Council. This follows a decision by the Secretary of State for Communities and Local Government for two Unitary Councils to replace the existing County Council, Borough Council and District Councils, with an implementation date of 1 April 2009. The two Unitary Councils are Central Bedfordshire and Bedford Borough Council.

There is a due process to allocate resources between the two Unitary Councils by agreement. In that regard and in accordance with the accounting guidance (SORP 2008) the accounts have been prepared on a going concern basis. This also conforms to the principles of accounting standard FRS 18 which deals primarily with the selection, application and disclosure of accounting policies.

In particular, the accounts have been prepared on the assumption that, notwithstanding the replacement of the County Council after 31 March 2009, the Income and Expenditure Accounts and Balance Sheet will be transferred to the Unitary Councils in their entirety and with the assumption that there is no intention to curtail significantly the scale of operations thereafter.

2) EXPLANATORY FOREWORD

Introduction

The explanatory foreword highlights the key financial issues in the Statement of Accounts. The main element of this foreword will be a commentary on the accounting policies, individual statements and notes in the accounts. Prior to this commentary it is useful to have a link to the reporting of the final outturn for the Council across the service directorates.

Final Outturn 2008/09

There is a net service underspend at 31 March 2008 of £0.593m, which represents 0.25% of the net budget requirement. This result has been achieved by close monitoring throughout the year, swift intervention when needed and cooperation across all budget holders.

The overall position is analysed by directorate in the table below. There were pressures throughout the year in Community Services. These were most notably offset by underspends on capital financing, treasury management and contingency. These positions had been reported throughout the financial year and the Corporate Management Board (CMB) and Executive had agreed to apply the underspends to Community Services, having analysed the reasons for those overspends.

Directorate	Final Net Budget £'000	Final Outturn £'000	(Under)/ Overspend £'000
Customer Engagement and Corporate Services	2,797	2,782	(15)
Resources	25,854	25,046	(808)
Chief Executive	3,952	3,742	(210)
Children's Services- Non Schools	58,894	58,805	(89)
Children's Services- Schools	999	1,017	18
Environment	41,874	41,693	(181)
Community Services	88,018	90,347	2,329
Capital Financing and Treasury Management	16,948	16,085	(863)
Other Finance	(3,919)	(3,388)	531
Contingency	671	(634)	(1,305)
Total Service Expenditure	236,088	235,495	(593)

The total service expenditure (£235m) differs from the Net Operating Expenditure (£589m) reported in the Income and Expenditure account (page 16), due to differing requirements of internal management reporting, and that of accounting standards for financial reporting. The majority of the difference is due to the impairment of fixed assets as a consequence of the downturn in the property market. This impairment is excluded from the service expenditure for internal reporting purposes. There is also a £10.5m adjustment for Local Government Review transition costs in respect of Bedfordshire County Council's share of setting up Central Bedfordshire Council.

The Council's agreed policy for 2008/09 was to hold reserves in the order of £13.5m, being £9.5m to cover general needs and £4.0m specifically in respect of the pending Single Status agreement. General Fund balances before transition costs are £14m at 31 March 2009 which is in line with strategy. These balances will be instrumental in ensuring that services in the new authorities will continue to be delivered to a high level.

The original capital budget was set at £72.3m. There were adjustments to the programme netting £16.4m, including use of carry-forwards (£11.5m), year end carry-forwards (£1.5m)

and other adjustments (£3.3m). Against a revised budget of £88.7m a final outturn of £80.8m was reported. After taking account of Government Grants (£34.5m) and other external contributions (£6.9m), the financing for the programme was through borrowing of £36.3m and £1.8m from revenue contributions.

Commentary on Statement of Accounts 2008/09

Accounting Policies (page 7)

These give information as to how certain costs are treated in the accounts. They comply with the relevant accounting practice. There has been little change to these policies.

Income and Expenditure Statement (page 16)

This shows a deficit of £353.2m which is a substantial figure. However, this contains a number of items which are subsequently adjusted out (due to statutory requirements) through the Statement of Movement on the General Fund Balance because they would otherwise have a dramatic impact on the level of Council Tax.

The first of three key adjustments is for depreciation and impairment of fixed assets which amounts £286.9m. There has been a significant downturn in the property market and as a consequence, with some land impaired by up to 50%. This accounts for £25.1m of this figure with the balance of £ in for depreciation. However for statutory reasons the Council is only required to make a minimum repayment of debt (known as Minimum Revenue Provision, MRP) which is calculated as being 4% of the Council's capital financing requirement. This is the second key adjustment and amounts to £10.3m and effectively replaces the £25.1m depreciation and effectively replaces the £25.1m in depreciation.

Thirdly, there is an adjustment to reverse out the gain or loss on disposal of fixed assets. This amounts to £70.7m, and relates mainly to seven schools that were awarded foundation status during 2008/09. Consequently, these assets are no longer shown on the Council's balance sheet.

Statement of Total Recognised Gains & Losses (page 18)

This brings together the total recognised gains and losses, the key elements being the gains and losses on the Income and Expenditure account, movements in fixed asset valuations, and actuarial gains and losses.

The movement on this account ties in with the increase in the net worth detailed in the Balance Sheet.

Balance Sheet (page 19)

The Council has long term assets of £1.1bn and net current assets of £41.0m. Together these have been financed by long term liabilities of £505.7m being supported by £505.7m of reserves and balances. This represents the total net worth of the Organisation and demonstrates a decrease of £391m over the past twelve months, again as a consequence of the health of the property market.

Long Term Assets

There is a movement of £285m on Tangible Fixed Assets between the opening and closing balance sheet figures, which was due to the decline in the value of assets and being partially offset by work carried out through the capital programme.

Net current Assets

There is little movement in the value of both debtors and creditors between 2007/08 and 2008/09. Whilst creditors are level there has been a reduction of £9m in the level of creditors due to a conscious effort to make payments before the demise of Bedfordshire County Council, this is offset by a £10.5m creditor with Mid Beds District Council in respect of transition costs.

Investments have fallen by £56m, mainly because no borrowing was taken in 2008/09 to fund the capital programme and because there was a strategy to reduce the creditors passed on to the successor authorities

Long Term Liabilities

Long term borrowing has reduced over the year by £25m to £244m due to the transfer of debt previously managed on behalf of Luton Borough Council. No long term borrowing was taken to finance the 2008/09 capital programme. The level of debt remains within the Council's authorised borrowing limit of £363m.

Provisions have reduced as a consequence of the reassessment of the single status provision with the agreement having been in place for over a year.

The Bad Debt provision has increased year on year by £0.458m. The general provision was marginally down with a reduction in longer term outstanding debt. There is, however, a specific provision in place in respect of Adult Social Care.

Reserves

The Council's share of the deficit on the Pension Fund has significantly increased by £59m. There has been a decline in the value of assets due to the decline in global markets.

Cashflow Statement

This statement essentially restates the Income & Expenditure for cash items only, stripping out accruals and items such as depreciation and pension fund charges.

Pension Fund (page 55)

Bedfordshire County Council administers the Pension Fund, which looks after the current and future pension entitlements on behalf of 47 employers. As the County Council is administering authority for the Pension Fund the accounts are included here. These accounts look at the investment balance sheet and the income and expenditure of the Pension Fund. They do not include anything about the Fund's liabilities.

The Pension Fund's assets reduced by £187m (19.9%) compared to 31 March 2008 which is in line with the reduction for local authorities in England and Wales.

There is a government consultation paper out at present which considers the future of local government pension finance.

Annual Governance Statement (page 64)

Councils are required to publish an Annual Governance Statement (AGS) as part of their Statement of Accounts, in accordance with the 2006 Accounts and Audit Regulation. The AGS is focused around the following six principles:

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

An action plan is included in the statement to address areas of concern identified from the review. The AGS is signed by the Chief Executive and Leader of the Council.

3) STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Bedfordshire County Council that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Director of Corporate Resources' Responsibilities

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

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Director of Corporate Resources has also:

- ensured proper accounting records were kept which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification and Approval

This statement of accounts presents fairly the financial position of Bedfordshire County Council at 31 March 2009 and income and expenditure for the year ended 31 March 2009.

Signed:

Date: 27 July 2009

Clive Heaphy, Director of Corporate Resources

I confirm that the Statement of Accounts were approved by the Audit Committee at its meeting on 27 July 2009

Signed:

Date: 27 July 2009

David Lawrence , Chair of Audit Committee

4) STATEMENT OF ACCOUNTING POLICIES

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - a Statement of Recommended Practice (SORP), which is recognised by statute as representing proper accounting practice. Any variations from the SORP or changes in accounting policy are highlighted where appropriate.

The accounting policies and estimation techniques applied have been selected and exercised having regard to proper accounting principles and policies.

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 is charged to the accounts of the period within which the employee worked. Accruals are made for salaries and wages earned but unpaid at the year end.

Financial Instruments - Assets

These are recognised on the Contract Date (Trade Date), with the exception of Trade Receivables, which are recognised when the Goods/ Services have been received.

Financial Instruments - Liabilities

These are recognised when the loan is received (not when agreed).

Government Grants

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Interest

Interest payable on external borrowings and interest on income are accrued and accounted for in the accounts of the period to which it relates on a basis which reflects the overall effect of the borrowings. The accrual amount is shown as part of the main loan/ investment.

Supplies and Services

The cost of supplies and services is accrued and accounted for in the period during which they were consumed or received. Accrual is made for all material sums unpaid at the year end for goods or services received or works completed. There are some exceptions for regular payments, on the basis that a full year of costs is in the accounts e.g. utility bills and employee travel claims.

ACQUIRED OPERATIONS

Income and expenditure directly related to acquired operations are shown separately on the face of the income and expenditure account under the heading of acquired operations.

CASH FLOW STATEMENT

Accounting guidance provides for cash flow statements to be presented using one of two alternative methods. The statement in this set of accounts is presented using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

CONTINGENT ASSETS

These are items of favourable events that may occur at year end but are insufficiently certain to be included in the main statements. Where the amounts are likely to be material, the nature of the contingent asset is disclosed in the notes to the accounts.

CONTINGENT LIABILITIES

These are items of unfavourable events that may occur at year end but are insufficiently certain to be included in the main statements. Where the amounts are likely to be material, the nature of the contingent liability is disclosed in the notes to the accounts.

DISCONTINUED OPERATIONS

Income and expenditure directly related to discontinued operations are shown separately on the face of the income and expenditure account under the heading of discontinued operations.

EVENTS AFTER THE BALANCED SHEET DATE

Where an event after the balance sheet date, favourable or unfavourable, which provides evidence of conditions that existed at balance sheet date occurs (**adjusting event**) the amounts recognised in the statement of accounts are adjusted.

Where an event that occurs after the balance sheet date, which is indicative of conditions that arose after the balance sheet date (**non adjusting event**) the amounts recognised in the statement of accounts are not adjusted.

In accordance with accounting standards events after the Balance Sheet date have been considered up to the date the Statement of Accounts is issued.

EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

Exceptional items are included in the cost of the service to which they relate or on the face of the income and expenditure account if required to give a fair presentation of the accounts.

Extraordinary items are disclosed and described on the face of the income and expenditure account.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period. The cumulative effect of prior period adjustments are included within the Statement of Total Recognised Gains and Losses for the current period.

FINANCIAL ASSETS

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

When soft loans e.g. interest-free or low interest rate loans are made a loss should be recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. However, as the Council does not have any material soft loans this guidance is not followed and the amounts recorded in the balance sheet reflect the cash amounts.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account. Derecognition is the term used for the removal of an asset or liability from the Balance Sheet. Normally a financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or have been transferred.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/ debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the Statement of Total Recognised Gains and Losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

FINANCIAL LIABILITIES

Financial liabilities 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 instrument. For most 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 are 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.

FOREIGN CURRENCY TRANSLATION

Income and expenditure arising from transactions denominated in a foreign currency are translated into Sterling (£) at the exchange rate in operation on the date on which the transaction occurred.

GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Revenue grants are matched to the expenditure to which they relate. Government grants made to finance the general activities of the Council are credited to the revenue account in respect of the period they are payable.

Where the acquisition of a fixed asset is financed in any way by government grant or other contribution, the amount of the grant or contribution is credited to the government grants deferred account and written off to the relevant service heading in the Income and Expenditure account over the useful life of the asset to match the depreciation of the asset to which it relates.

GROUP ACCOUNTS

Group Accounts will be prepared where the authority has an interest in Associates or Joint Ventures, and that these are material to the authority's accounts.

INTANGIBLE ASSETS

Purchased intangible assets are capitalised as assets at cost and amortised to the relevant service heading in the Income and Expenditure account over the economic life of the investment. Internally developed intangible assets are only capitalised where there is a readily ascertainable market value.

INVESTMENTS

Investments in listed and unlisted companies and marketable securities are carried at cost less provision, where appropriate, for loss in value. Investments held by pension funds are carried at market value.

Long term investments are separately identified on the face of the balance sheet. Dividend income from investments is recognised when the Council has a right to receive the dividend.

Where the Council's investment in a company is unlikely to be recovered, the loss is written off to the relevant service heading in the Income and Expenditure account.

The County Council's Pension Fund investments are made in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 and the Fund's Statement of Investment Principles. Investments are valued at market value using appropriate sources for valuation information.

LANDFILL ALLOWANCE TRADING SCHEME

Allowances, whether allocated by DEFRA (Department for Environment, Food and Rural Affairs) or purchased from another WDA (Waste Disposal Authority) are recognised as a current asset. They are initially measured at their fair value.

Landfill allowances are initially recognised as deferred income in the balance sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances are allocated.

As landfill is used, a liability is recognised as a provision for actual waste landfill usage. The liability is measured at the best estimate of the expenditure required to meet the obligation at the balance sheet date.

LEASES

Finance Leases

Rental payments under finance leases are apportioned between the finance charge and the reduction of the standing obligation, with the finance charge being allocated and charged to the Income and Expenditure account over the term of the lease.

Operating Leases

Rentals on operating leases net of benefits received or receivable are charged to revenue on a straight line basis over the term of the lease.

MINIMUM REVENUE PROVISION

The Council is required to set aside an element of its budget each year for the repayment of debt. Previously, this has been based on 4% of the capital financing requirement. Statutory changes mean that there are now alternative options for setting aside revenue relating to capital scheme financing through prudential borrowing. These options have not been used in 2008/09.

OVERHEADS

The costs of support services and departmental overhead costs have been apportioned, using a suitable basis, to the relevant service heading in the Income and Expenditure account in accordance with the Best Value Accounting Code of Practice.

PENSION COSTS

The amount charged to the Income and Expenditure Account and Statement of Total Recognised Gains and Losses for employees' pensions is in accordance with accounting standard FRS17 Retirement Benefits, subject to the interpretations set out in the SORP.

PROVISIONS

Provisions are established for any liabilities of uncertain timing or amount that have been incurred. Provisions have been recognised when:

- There is a present obligation (legal or constructive) as a result of a past event
- It is probable that a cost will have to be met to settle the obligation.

Provisions are charged to the appropriate service heading in the Income and Expenditure account. When a payment for expenditure against a provision is made, the expenditure is charged directly to the provision.

Existing provisions are reviewed annually alongside consideration for new provisions. They reflect the best estimate when the accounts are prepared.

PROVISIONS FOR BAD AND DOUBTFUL DEBTS

The Council makes a provision for bad debts on the following basis:

- 50% of all debts overdue over six months old, and
- 5% of all other debts overdue

REPURCHASE OF BORROWING

Gains and losses arising on the repurchase or early settlement of debt are recognised in the Income and Expenditure account in the period during which repurchase or early settlement is made. However, where the repurchase is coupled with a refinancing or restructuring with substantially the same overall economic effect when viewed as a whole, the gains or losses are recognised over the life of the replacement borrowing.

RESEARCH AND DEVELOPMENT

Expenditure on research and development is regarded as part of the discontinuing operations of the authority and is written off as incurred.

RESERVES

Amounts set aside for purposes falling outside of the definition of provisions or contingent liabilities are treated as reserves and transfers to and from them are distinguished from service expenditure. Expenditure is not charged directly to any reserve.

STOCKS AND LONG TERM CONTRACTS

These are included in the Balance Sheet at the lower of cost or net realisable value.

TANGIBLE FIXED ASSETS

Asset Values

Fixed assets are formally valued on the bases recommended by CIPFA over a 5 year period. Property assets are valued in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS).

Fixed assets are classified into the groupings required by the 2008 Code of Practice on Local Authority Accounting. Assets are valued on the following bases:

- Operational properties owner occupied for which there is a discernable market value – market use value
- Operational properties owner occupied for which there is no discernable market value – depreciated replacement cost
- Properties held as investments – market value having regard to the terms of the lease
- Properties surplus to requirements – market value
- Infrastructure assets and community – historical cost

Capital Programme

New capital projects are treated as assets under construction until they are formally handed over to the service as completed and ready for use. Capital expenditure in year is added to the carrying value of the asset until it is next revalued as part of the quinquennial valuation with the exception of material works on assets, which will be revalued in the following year. Upon revaluation, all accumulated depreciation brought forward is adjusted to nil.

De Minimis

All expenditure on the acquisition, creation or enhancement of tangible fixed assets above a de minimis level of £10,000 is recognised as capital expenditure in the accounts on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a tangible fixed asset, provided that it yields benefits to the Council and the services it provides are for a period of more than one year. There is no de minimis level in respect of expenditure on vehicles and plant nor on expenditure on a project (or group of projects)

which accumulates to above that level or is treated as such in the Council's capital programme. De minimis expenditure is charged to revenue but, where permissible and appropriate, it is financed as though it were capital expenditure.

Depreciation

Depreciation charges are made on all fixed assets other than land and assets under construction. Assets are depreciated based on the value and life at the end of the previous financial year on a straight-line basis using the following life periods:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Buildings • Plant and Equipment • Infrastructure • Vehicles • Furniture and Equipment • Personal Computers • Intangible Assets | <ul style="list-style-type: none"> Property life (as advised by our Estate Managers) up to 10 years 30 years up to 10 years 5 years 4 years up to 10 years |
|--|---|

Disposals

Any capital disposal over £10,000 is credited to the usable capital receipts reserve and accounted for on an accruals basis. Upon disposal, the net book value of the asset disposed of is written off against the Capital Adjustment Account.

Gains or losses on disposal of assets are charged to the Income and Expenditure account. The gain or loss on disposal is deemed to be the amount by which the proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset.

Foundation Schools

The capital assets of the Foundation Schools in the county are not owned by the Council and the value of the assets is not included in the Council's balance sheet.

As at 1 April 2008 there were 13 Foundation Schools. Another 7 schools were awarded foundation status during 2008/09. The value of these 7 schools assets have been written out of the Fixed Assets section of the Council's Balance Sheet during 2008/09, and shown as a loss on disposals in the Income and Expenditure account.

Impairment

Any impairment identified that involves the clear consumption of economic benefits is charged to the Income and Expenditure Account within the appropriate Service heading. Other impairments are written off against revaluations gains attributable to the relevant asset in the Revaluation Reserve with any excess charged to the Income and Expenditure Account within the appropriate Service heading. Due to the current market, all land and buildings assets have been assessed for impairment due to a fall in values.

PFI CONTRACT

A PFI scheme is one where the operator provides the buildings and supporting ancillary services in exchange for annual payments for a period of time, with the Fixed Assets employed in the provision of services recorded on either the balance sheet of the Council or the service provider, depending upon which party has access to the benefits and risks associated with the assets.

The Council entered into a long term contract for the extension, refurbishment and facilities management of two schools, Samuel Whitbread Community College and Harlington Upper School in December 2003.

Under accounting standard FRS 5, the assets employed in the provision of the service under the contract are deemed to be the service operator's assets. Accordingly, the fixed assets

are not recorded in the Council's Balance Sheet. The assets will transfer into the ownership of the Council upon termination of the contract.

The Council accounts for this by building up the value of the assets within Long Term Debtors over the life of the contract.

VALUE ADDED TAX

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

5) INCOME AND EXPENDITURE ACCOUNT

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000
Discontinued Operations			
9,195 Central Services	23,002	(9,087)	13,915
519 Court Services	767	(256)	511
29,625 Culture, Environment and Planning	51,487	(10,755)	40,732
77,301 Children's Services	711,250	(393,967)	317,283
25,635 Highways, Roads and Transport	38,344	(10,093)	28,251
701 Housing Services	8,772	(7,447)	1,325
77,053 Adult Social Care	136,651	(45,876)	90,775
0 Exceptional Costs of LGR (note 3)	10,503	0	10,503
220,029 Total Discontinued Operations	980,776	(477,481)	503,295
Other Operating			
8,671 Gain or Loss on disposal of fixed asset	70,735	0	70,735
(961) Precepts and Levies	258	(2,270)	(2,012)
818 Trading Account Surpluses and Deficits	2,237	(2,369)	(132)
12,209 Interest Payable	13,041	0	13,041
(5,597) Interest and Investment Income	0	(4,998)	(4,998)
4,880 Pensions Interest & Return on Assets	35,556	(26,140)	9,416
240,049 Net Operating Expenditure	1,102,616	(513,258)	589,358
Principal Sources of Finance			
(159,298) Precept from Council Tax	0	(167,084)	(167,084)
(8,894) Government Grants (non-specific)	0	(8,432)	(8,432)
(53,000) Non Domestic Rates (NDR)	0	(60,571)	(60,571)
18,857 (Surplus)/Deficit for the year	1,102,616	(749,345)	353,271

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 differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed. In particular, depreciation is removed from being a charge to the General Fund, and effectively replaced by a Statutory Provision for Repayment of Debt.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement of Movement on the General Fund Balance (SMGFB) on the next page explains these differences.

6) STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

a) Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund

2007/08 £'000		2008/09 £'000
(26,510)	Depreciation and Impairment of Fixed Assets	(286,948)
1,340	Amortisation of Government Grants Deferred	5,026
(2,777)	Revenue expenditure classified as Capital Expenditure	(3,130)
787	Reversal of Single Status Provision	796
(8,671)	Net gain or loss on sale of fixed assets	(70,735)
372	Pension Cost Adjustment	(1,641)
(728)	Financial Instruments Adjustment	1
2,351	Reversal of Service income relating to PFI	2,351
(33,836)	Grand Total	(354,232)

b) Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund

2007/08 £'000		2008/09 £'000
10,051	Statutory Provision for Repayment of Debt	10,311
1,504	Capital expenditure charged to the General Fund	1,762
11,555	Grand Total	12,073

c) Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund

2007/08 £'000		2008/09 £'000
0	Voluntary Provision for Repayment of Debt	0
0	Debt Premium Costs	0
3,411	Net transfer to or from Earmarked Reserves	(1,854)
3,411	Grand Total	(1,854)

d) Information to be included in the Statement of Movement on the General Fund

2007/08 £'000		2008/09 £'000
18,857	(Surplus) or deficit for the year on the Income and Expenditure Account	353,273
(18,870)	Amount required by statute and non-statutory proper practices to be attributed to the General Fund	(344,013)
(12,715)	General Fund b/f	(12,728)
(12,728)	General Fund Balance c/f	(3,468)

e) Analysis of the General Fund

2007/08 £'000		2008/09 £'000
0	General Fund available to Schools	0
(12,728)	General Fund available to Authority	(3,468)
(12,728)	Grand Total	(3,468)

7) STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Not all the gains and losses experienced by the Council are cash-based, and therefore are not all reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entities operating performance.

This Statement discloses all gains and losses recognised in the year.

2007/08		2008/09
£'000		£'000
(18,857)	Surplus or (Deficit) on the Income and Expenditure Account for the Year	(353,271)
36,326	Surplus or (Deficit) arising on the revaluation of fixed assets	17,772
0	Surplus or (Deficit) arising on the revaluation of Available for Sale Financial Assets	
58,638	Actuarial Gains and Losses on Pension Fund Assets and Liabilities	(57,063)
0	Any Other Gains and Losses for the Year	
76,107	Total Recognised Gains and Losses for the Year	(392,562)
850	Prior Year Adjustments	728
76,957	Restated Total Recognised Gains and Losses for the Year	(391,834)

The total recognised Gains and Losses for the year matches the increase in the Total Net Worth as set out in the Balance Sheet.

8) BALANCE SHEET

31 March 2008		31 March 2009	
£000s	£000s	£000s	£000s
	5,218	Intangible Assets	4,607
		Tangible Fixed Assets	
1,033,750		Land and Buildings	719,414
178,046		Infrastructure	207,887
7,572		Vehicles, Plant, Furniture and Equipment	7,268
2,010		Community	2,101
	1,221,378	Operational assets	936,670
36,892		Investment Properties	48,165
47,811		Assets Under Construction	53,913
285		Surplus Assets, held for disposal	237
	84,988	Non-Operational assets	102,315
	6,341	Long Term Investments	1,279
	38,439	Long Term Debtors	12,365
		Deferred premiums on early repayment of debt	
	1,356,364	Total Long Term Assets	1,057,236
164		Stocks and Works in Progress	61
37,574		Debtors	39,025
92,637		Investments	36,874
7,956		Cash and Bank	34,544
138,331		Total Current Assets	110,504
(411)		Borrowing repayable on demand or within 1 year	(2,301)
(67,902)		Creditors	(67,220)
(68,313)		Total Current Liabilities	(69,521)
	70,018	Net Current Assets / Liabilities	40,983
	1,426,382	Total Assets less Current Liabilities	1,098,219
		Long-term liabilities	
(269,084)		Borrowing repayable within a period in excess 1 year	(242,061)
(3,082)		Deferred Liabilities	(148)
(9,382)		Provisions	(6,732)
(79,063)		Grants Deferred	(105,604)
(15,328)		Contribution Deferred	(21,524)
(128,990)		Liability Related to Defined Benefit Pension Scheme	(187,693)
(11,421)		Grants Unapplied	(9,937)
(12,333)		Contributions Unapplied	(18,648)
(149)		Investment Funds	(158)
	897,550	Total Assets less Liabilities	505,714
		Reserves and Balances	
(955,011)		Capital Adjustment Account **	(613,009)
(30,366)		Revaluation Reserve	(47,908)
728		Financial Instruments Adjustment Account	702
128,990		Pension Reserve	187,694
3,420		Single Status Reserve	2,624
		Capital Receipts Reserve	(1,620)
(12,728)		General Fund	(3,468)
(12,065)		Schools' Reserves	(14,022)
(20,518)		Other Earmarked Reserves	(16,707)
	(897,550)	Total Net Worth	(505,714)

10) NOTES TO THE CORE FINANCIAL STATEMENTS:

1. Discontinuing Operations

This gives further detail on the 'Discontinuing Operations' section of the Income and Expenditure Account. There has been a significant year on year movement as a consequence of the impairment of fixed assets. This applies to all services; notes to the following tables will only address other variances.

(i) Central Services:

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000
3,090 Corporate Management	9,759	(7,044)	2,715
1,818 Democratic Representation	1,842	(44)	1,798
4,908 Corporate and Democratic Core	11,601	(7,088)	4,513
3,571 Non Distributed Costs	10,203	(1,446)	8,757
197 Registration of births, deaths & marriages	708	(536)	172
99 Elections	45	(6)	39
223 Emergency Planning	233	(11)	222
197 General Grants, Bequests and Donations	212		212
716 Central Services to the Public	1,198	(553)	645
Other Expenditure			
9,195 Total Central Services	23,002	(9,087)	13,915

(ii) Court Services:

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000
519 Coroners Courts	767	(256)	511
519 Total Court Services	767	(256)	511

(iii) Cultural, Environment and Planning:

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000
1,460 Culture and Heritage	4,051	(2,597)	1,454
104 Recreation and Sport	588	(510)	78
1,124 Open Spaces Tourism	2,457	(170)	2,287
6,393 Library Service	8,970	(1,323)	7,647
9,081 Cultural and Related Services	16,066	(4,600)	11,466
(260) Agricultural and Fisheries Services	4,375	(881)	3,494
1,381 Consumer Protection	2,777	(796)	1,981
3,053 Waste Collection	3,896	(6)	3,890
14,106 Waste Disposal	16,207	(1,224)	14,983
18,280 Environmental Services	27,255	(2,907)	24,348
230 Community Development Planning Policy	244 33	(11) (33)	233
846 Development Control	1,563	(1,316)	247
1,244 Environmental Initiatives	1,153	(159)	994
(56) Economic Development	5,173	(1,729)	3,444
2,264 Planning and Development Services	8,166	(3,248)	4,918
29,625 Total Culture, Environment & Planning	51,487	(10,755)	40,732

Increase in Agricultural and Fisheries Services due to increased repairs and maintenance costs in 2008/09 on County Farms.

There has been a net increase in directly managed expenditure in respect of Economic Development due to the loss of the LABGI grant in 2008/09.

(iv) Children's Services:

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000
577 Nursery	6,094	(4,676)	1,418
18,545 Primary	202,875	(100,920)	101,955
7,901 Secondary	385,414	(234,237)	151,177
8,734 Special	34,979	(18,109)	16,870
35,757	629,362	(357,942)	271,420
4,988 Non Schools Management	32,498	(24,078)	8,420
4,988	32,495	(24,077)	8,420
10,950 Childrens Services Commissioning	16,936	(4,231)	12,705
17,899 Children Looked After	20,974	(3,167)	17,807
3,760 Family Support Services	4,321	(739)	3,582
1,742 Youth Justice	2,831	(1,553)	1,278
61 Asylum Seekers (Children and Families	1,071	(1,103)	(32)
2,144 Other Children's and Families' Services	3,260	(1,155)	2,105
36,556	49,393	(11,948)	37,445
77,301 Total Children's	711,250	(393,967)	317,285

The increase in gross expenditure in year is largely due to the impairment review carried out at the 31st March 2009, which was required due to the economic downturn in the property market. Under the advice of Mouchel, all School Land and Buildings were impaired by 50% and 5% respectively.

(v) Highways, Roads and Transport:

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000
2,813 Transport, Policy and Strategy	4,525	(1,380)	3,145
668 Highways/Roads (Structural)	1,280	(102)	1,178
54 Construction	34	(6)	28
11,393 Highways/Roads (Routine)	15,274	(2,371)	12,903
4,981 Street Lighting	5,353	(657)	4,696
1,484 Winter Maintenance	2,702	(842)	1,860
903 Traffic Management and Road Safety	2,168	(1,431)	737
119 Parking Services	152	(1)	151
3,220 Public Transport	6,856	(3,303)	3,553
25,635 Total Highways, Roads and Transport	38,344	(10,093)	28,251

(vi) Housing Services:

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000
418 Other Council Property (Travellers' Sites)	1,124	(47)	1,077
283 Supporting People	7,648	(7,400)	248
701 Total Housing Services	8,772	(7,447)	1,325

(vii) Adult Social Care:

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Income £'000	2008/09 Net Expenditure £'000
597 Service Strategy	874	(73)	801
39,209 Older People (65+) incl Mentally Ill	64,507	(18,725)	45,782
6,618 Adults (<65) with Phys or Sensory Imp	10,143	(2,066)	8,077
24,915 Adults (<65) with Learning Disabilities	52,005	(21,995)	30,010
4,722 Adults (<65) with Mental Health Needs	6,638	(1,193)	5,445
420 Other Adult Services	1,520	(1,067)	453
572 Supported Employment (incl Sheltered	964	(757)	207
77,053 Total Adult Social Care	136,651	(45,876)	90,775

There have been increases in expenditure across the board for Adult Social Care. There have been cost pressures on care packages and also a reduction in the Access & Capacity and Delayed Discharge Grants. Further in Adults with Learning Disabilities there is an increase in expenditure between years due to the increase in working age demographics and high cost transitions clients from Children's Services.

2. Acquired / Discontinued operations- The Magistrates' Courts

The Magistrates' Courts function was transferred to the Lord Chancellor's Department (now Department of Constitutional Affairs) during 2005/06. Any residual costs (under £10,000) are now shown in the Income and Expenditure account under 'Central Services'.

3. Exceptional Items / Extraordinary Items and Prior Year Adjustments

Local Government Reorganisation (LGR) Transition Costs

The Statement of Accounts of contains expenditure incurred during 2008/09 relating to Local Government Reorganisation in the implementation of the new Central Bedfordshire Council. This expenditure has been incurred in advance of vesting day and includes expenditure on ICT systems, communications, staffing, etc.

During the year, expenditure was primarily incurred and controlled by Mid Bedfordshire District Council. At year end, all costs relating to transition and the implementation of Central Bedfordshire Council have been allocated to Bedfordshire County Council, Mid Beds, and South Beds, in proportion to each authority's 2008/09 precept. A significant proportion of the costs relate to severance.

Discontinued Operations/Services

As this is the last year of operation of Bedfordshire County Council as a result of Local Government Reorganisation, all income and expenditure is shown in the Income and Expenditure Account as Discontinued Operations / Services.

Local Government Transition Costs- Implementation of Central Bedfordshire Council

During 2008/09, the following transaction costs were incurred in total in respect of the implementation of the new Central Bedfordshire Council.

Expenditure	£'000
Employee Costs	6,096
Premises	24
Transport	12
Supplies & Services	5,994
TOTAL EXPENDITURE	12,126
TOTAL INCOME- Grants	(388)
TOTAL TRANSITIONAL COSTS 2008/09	11,738

In accordance with the Bedfordshire (Structural Changes) Order 2008, these costs have been apportioned to the three demised authorities that have formed the new council - Mid Bedfordshire District Council, South Bedfordshire District Council and Bedfordshire County Council. These authorities' 2008/09 precepts on the Central Bedfordshire area have been used as the basis of apportionment as shown below:

Authority	2008/09 Precept £m	%	Apportionment £'000

Mid Bedfordshire DC	5.493	4.70%	549
South Bedfordshire DC	6.864	5.80%	686
Bedfordshire CC	105.120	89.50%	10,503
Totals	117.477	100.00%	11,738

Assets to the value of £3.741 million were purchased and financed by Mid Bedfordshire District Council in preparation for the formation of Central Bedfordshire Council. These are included in the Mid Bedfordshire District Council's accounts as Assets Under Construction.

LGR Severance Costs

The financial impact of all severance and redundancy costs relating to LGR have been included in the 2008/09 accounts, as the decisions on redundancy and severance had been made prior to 31 March 2009. The severance costs include the cost of redundancy payments and the actuarial costs to be paid over to the Pension Fund by Central Bedfordshire Council. Redundancy costs have been initially funded by the authority employing the relevant staff and have been subsequently been 'pooled' into the allocation to authorities referred to above.

4. Undischarged Obligations Arising from Long Term Contracts

i) PFI Mid-Bedfordshire Schools

In December 2003, Bedfordshire County Council entered into a contract with Bedford Education Partnership Ltd for the provision of new buildings and the refurbishment of existing buildings at two schools.

From 19th April 2006, the authority is committed to making initial payments of £3.5 million per annum, index linked to RPIX, to Bedford Education Partnership Ltd for the provision of new and re-furbished buildings and related facilities management. The Contract Expires on 31st December 2035.

ii) Other Long Term Contracts

The table below sets out significant contractual commitments for the future.

Contract Title	Contractor	Contract End	Annual Value
Highways works and services	Amey Infrastructure	31.03.2011	£24m
Operation of Waste Transfer and Materials	Shanks Waste Management Ltd	31.03.2021	£9m
Run Bedfordshire owned Residential care homes	BUPA (carefirst)	13.07.2010	£9.9m
Care Homes	BUPA	13.07.2010	£9m
Property management services	Mouchel	30.09.2010	£5m
Management of Household Waste Recycling Centres	Viridor Waste (Somerset) Ltd	31.03.2012	£2m

5. Trading Operations

The Council has a number of trading operations providing services to other public services bodies under specific service legislation. Details of these and their financial performance for the year are set out in the table below:

	Turnover (income) £'000	Expenditure £'000	(Surplus) / Deficit £'000	Transferred to County Fund £'000	Earmarked Reserve £'000
Albion Archaeology	(1,798)	1,822	24	0	24
Education Trading Services	(1,727)	2,109	382	0	382
Centre for CPDL	(1,069)	1,314	245	0	245
Legal Services	(1,288)	1,787	499	0	499
School HR			0	0	0
School Bursary Service	(667)	537	(130)	(130)	0
Leighton Buzzard Theatre			0	0	0
Creative Services	(154)	247	93	0	93
Heart Plus	(61)	54	(7)	(7)	0
Heart	(132)	117	(15)	(15)	0
Early Birds Nursery	224	244	20	0	20
	(6,672)	8,231	1,111	(152)	1,263

These amounts are included in the Income & Expenditure account – either as part of service expenditure in ‘Discontinuing Operations’ or on the Trading Accounts line within ‘Net Operating Expenditure.’

6. Discretionary Expenditure

Local authorities are required to disclose any expenditure incurred for which there is no specific legal power, e.g. under Section 137 of the Local Government Act 1972. No discretionary expenditure has been incurred during 2008/09 (nil during 2007/08).

7. Publicity Expenditure

Section 5 Local Government Act 1986 requires a local authority to keep a separate account of its expenditure incurred on publicity. This includes recruitment advertising, advertising and publicity of services, information, and other publicity.

Publicity expenditure for the County Council was £2.034m in 2008/09 (£2.548m in 2007/08).

8. Agency Services

Under various statutory powers, the County Council may agree with other local authorities, water companies and government departments to do work on their behalf. Net expenditure on agency services is fully reimbursed by the sponsoring body or Government Department.

For 2008/09 there is just one agency service agreement, set out below:

2007/08 £'000		2008/09 £'000
90	Luton Borough Council-Highways Maintenance	94

Luton Borough Council carry out highways maintenance works on behalf of the County Council. The contract runs from April 2003 to March 2010, and covers highway routine, cyclic and winter maintenance of specific highway assets around the Luton area. The 2008/09 income was £94k (£90k in 2007/08).

9. Goods and Services Act 1970

This Act enables the Council to provide services to other councils and public sector bodies on a non trading basis. The organisations for which the County Council provided services last year together with the income from services provided are set out below.

2007/08 Income £'000	Activities undertaken	2008/09 Income £'000
1,541	Education to pupils from outside of Bedfordshire	1,807
527	Archives, Coroners, Sheltered Employment	565
0	Libraries Services to Luton Central Library & Bedford Prison Library Service	231
0	Emergency Duty Team Services to Luton Borough Council	184
0	Learning Disabilities & Older People Services to Luton Borough Council	880
521	Legal Services	348
182	Financial Support to the Beds Probation Board	179
139	Rental of premises to Dunstable College and South Beds District Council	147
53	Citizone Points of Presence for South Beds District Council	31
59	Mid Beds Link a Ride	0
3,022		4,372

10. Pooled Funds and Similar Arrangements

There are two joint working arrangements under section 75 of the National Health Service Act 2006 (formerly under section 31 of the Health Act 1999).

a) Bedfordshire Mental Health Partnership Agreement

This is a pooled fund for the integrated provision of services to those persons with mental health problems. The partnership is between the Council and Bedfordshire & Luton Mental Health and Social Care Partnership NHS Trust (BLPT).

2007/08		2008/09
Cash		Cash
£'000		£'000
4,284	Bedfordshire County Council	4,399
4,760	BLPT	4,657
<u>9,044</u>	Total Funding (a)	<u>9,056</u>
<u>8,568</u>	Less Expenditure (b)	<u>8,812</u>
476	Net Underspend / (Overspend) (a) – (b)	244

b) Learning Disability Partnership Agreement

This is a pooled fund for the integrated provision of services to those persons with learning disabilities. The partnership is between the Council and Bedfordshire & Luton Mental Health and Social Care Partnership NHS Trust (BLPT).

2007/08		2008/09
Cash		Cash
£'000		£'000
732	Bedfordshire County Council	751
407	BLPT	418
<u>1,139</u>	Total Funding (a)	<u>1,169</u>
<u>1,093</u>	Less Expenditure (b)	<u>998</u>
46	Net Underspend / (Overspend) (a) – (b)	171

11. Area Based Grant

Area Based Grant (ABG) is a non-ring fenced general grant, made up of a wide range of former specific grants from seven government departments. Authorities are free to use the totality of their non-ringfenced general funding (Revenue Support Grant and ABG) to support national, regional and local priorities as they see fit.

In 2008/09 the County Council received ABG income of £17.517m from the Department for Communities and Local Government. The allocation of the grant was based on the historic grants that ABG replaced.

A split of the Grant by Service Area is detailed in the table below:

Service Area	Total Grant £m	Total Grant %
Children's Services	9.250	53
Community Services	4.404	25
Environment	3.420	20
Safer Stronger Communities	0.443	2
Total	17.517	100

Elements of both the Environment and the Safer Stronger Communities Fund (SSCF) are shared between BCC and our Partner Organisations. Payment of ABG to the Police for Road Safety is made by the Environment Service Area.

Payments of the Safer Stronger Communities to Partner Organisations are made by the Partnership Team. A split of the grant by authority is detailed in the table below:

Authority	Total Grant £m	Total Grant %
Beds County Council	0.267	60
Mid Beds District Council	0.080	18
South Beds District Council	0.060	14
Beds Borough Council	0.036	8
Total	0.443	100

Payments are made to partner organisations quarterly in arrears. The Countywide Partnership, together with the Theme Lead for the Stronger Communities are responsible for the management of this fund.

As the Area Based Grant is not ring-fenced, the Grant determination does not stipulate any expenditure reporting requirements and there are no criteria to allow carry forwards. This income is therefore managed in the same way as general BCC funding and any requests to set up ear-marked reserves are put forward by the individual service areas.

12. Members' Allowances

The total amount of Members' Allowances paid is set out below:

2007/08 £'000	Members' Allowances	2008/09 £'000
802		812

13. Officers' Remuneration

The number of employees whose remuneration was £50,000 or more (including termination payments but excluding pension contributions) is set out below in bands of £10,000.

Teaching staff 2007/08	Council officers 2007/08	Total Employees 2007/08	Bands £'000	Teaching staff 2008/09	Council officers 2008/09	Total Employees 2008/09
121	43	164	50 - 59	151	71	222
52	20	72	60 - 69	53	35	88
15	8	23	70 - 79	12	11	23
6	10	16	80 - 89	11	5	16
2	1	3	90 - 99	1	4	5
-	1	1	100-109	3	4	7
-	1	1	110-119	-	3	3
-	2	2	120-129	-	-	0
-	1	1	130-139	-	-	0
-	-	-	140-149	-	-	0
-	-	-	150-159	-	1	1
-	-	-	160-169	-	1	1
-	-	-	170-179	-	1	1
-	-	-	180-189	-	-	0
-	-	-	190-199	-	-	0
-	1	1	200-209	-	2	2
-	-	-	210-219	-	-	0
-	-	-	310-319	-	1	1
196	88	284	Total	231	139	370

Note: For bands between £220k and £309k there were no employees.

14. Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or be controlled or influenced by the Council.

(i) Details of Government Grants and Awarding Bodies

2007/08 £'000		2008/09 £'000
	Revenue Grants	
27,537	Learning Skills Council (LSC)	28,793
3,566	Department for Transport	147
15,714	Department for Communities & Local Government	26,508
258,896	Department for Children, Schools & Families	256,408
10,135	Dept of Health (DoH)	1,507
968	Home Office	903
4	Dept for Environment, Food and Rural Affairs (DEFRA)	12
3,628	Other	3,187
320,448		317,465
	Capital Grants	
8,299	Department for Transport	4,899
9,842	Department for Communities & Local Government	1,097
19,815	Department for Children, Schools & Families	13,556
268	Lottery	679
297	Dept of Health (DoH)	349
2,743	Developers' Contributions (s.106)	0
10,139	Other	10,984
51,403		31,564
371,851		349,029
	Awarding Bodies	
22,484	Pension Fund - contribution in respect of Employees	24,099
891	Administration of the pension fund	829
23,375		24,928

(ii) Transactions with Subsidiary and Associated Companies and Joint Ventures

The Council had an interest in one Joint Venture - Bedfordshire Consortium.

The Citizens Service Partnership (CSP) effectively ceased to operate as from October 2006. All outstanding funds relating to the partnership have been refunded to the participating bodies. The CSP accounts and related grant claims have been audited and have been qualified. The audit report issued in June 2009 highlighted concerns over the partnership. A sum of £1.6m of grant income may be required to be refunded to the originating grant provider.

(iii) Transactions with the Pension Fund

Pension Fund details are set out in the Pension Fund section of this document. The Pension Fund has a separate bank account and therefore has no cash deposited with the Council. The Council charged the Fund £829k (£892k in 2007/08) for expenses incurred in administering the Fund.

As at 31 March 2009, the amount due to the Council from the Pension fund was £0.05m, with £2.8m being owed by the Council to the Pension Fund.

15. Audit fees

Local authorities are required to disclose details of audit fees included in the accounts for the financial year. These are set out below:

2007/08		2008/09
£'000		£'000
272	External Audit Services	245
34	Statutory Inspection	16
50	Certification of Grant Claims	28
16	Other Services	7
372		296

16. Summary of Movements in Fixed Assets and Capital Expenditure

(a) Tangible Fixed Assets

Land and buildings and surplus properties are valued on the bases recommended by CIPFA, by Mouchel Parkman, the Council's external valuers – the responsible valuer is Philip Reynolds MSc MRICS. As part of the Council's 5-year rolling programme of valuations, approximately 20% of asset values were obtained as at 1st April 2008.

Property assets are valued in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors.

Movements in the valuations of tangible fixed assets are set out below:

	OPERATIONAL ASSETS					Total £000
	Land & Buildings	Infra- structure	Vehicles, Plant & Equipment	Community		
	£000	£000	£000	£000		
Gross Book Value b/f	1,087,976	199,282	13,329	2,010		1,302,597
Depreciation and impairment b/f	(54,214)	(21,236)	(5,757)	0		(81,207)
Net Book Value b/f	1,033,762	178,046	7,572	2,010		1,221,390
Movements in 2008/09						
Reclassifications	6,059	20,085	210	87		26,441
Additions	22,260	17,093	1,412	165		40,930
Disposals	(71,660)	0	(113)	0		(71,773)
Revaluations	(1,696)	0	0	(27)		(1,723)
Depreciation	(15,843)	(7,204)	(1,750)	0		(24,797)
Impairment	(253,468)	(133)	(63)	(134)		(253,798)
Net Book Value at 31st March 2009	719,414	207,887	7,268	2,101		936,670
	NON-OPERATIONAL ASSETS				TOTAL	
	Assets under construction	Surplus Properties	Investment Properties	Total	Operational and Non-Op	
	£000	£000	£000	£000	£000	
Gross Book Value b/f	47,811	385	37,381	85,577	1,388,174	
Accumulated Depreciation b/f	0	(100)	(490)	(590)	(81,797)	
Net Book Value b/f	47,811	285	36,891	84,987	1,306,377	
Movements in 2008/09						
Reclassifications	(26,013)	22	(754)	(26,745)	(304)	
Additions	31,990	0	109	32,099	73,029	
Disposals	0	0	(228)	(228)	(72,001)	
Revaluations	1	7	19,487	19,495	17,772	
Depreciation	0	(3)	(270)	(273)	(25,070)	
Impairment	124	(74)	(7,070)	(7,020)	(260,818)	
Net Book Value at 31st March 2009	53,913	237	48,165	102,315	1,038,985	

(b) Capital Expenditure and Financing

Capital payments were financed as follows:

	2008/09 £'000
Capital Expenditure:	
Fixed Assets	73,231
Revenue Expenditure funded by Capital Under Statute	7,570
	80,801
Financed by:	
Government Grants	34,489
Capital Receipts	0
Borrowing	36,284
Contributions	6,915
Revenue	1,762
Financing from previous year	1,351
	80,801

17. Commitments under Capital Contracts

The significant contractual capital commitments entered into by 31st March 2009, but which are not reflected in the Council's accounts are:

	£000
Bedford Western Bypass	6,800
Total	6,800

Commitments relating to Bedford Western Bypass are reverting to Bedford Borough Council as from 1 April 2009.

18. Tangible Fixed Assets

The following table gives an indicative analysis of the Council's fixed assets held at 31/3/09.

Service/Description of Asset	
Land	
County Farms and Small Holdings (hectares)	2,923
Other Land (hectares)	167
Buildings	
Schools	186
Other Educational Establishments	177
Libraries	18
Homes and Hostels	19
Community Centres	25
Other Social Services Properties	52
Administrative Buildings	31
Other	31
Infrastructure	
Roads (kilometres)	2,151
Streetlights	35,202
Community Assets	
Country Parks	12
Countryside Sites	69
Historical Sites	10
Other	3
Vehicles	
Fleet Vehicles	156

19. Leases – disclosures by lessees

(a) Finance Leases

The following values of assets are held under finance leases by the authority, and accounted for as part of Tangible Fixed Asset.

	Land and Buildings £000	Vehicles, Plant and Equipment £000
Gross Book Value at 1 April	0	760
Accumulated depreciation b/f	0	-338
Net Book Value at 1 April	0	422
Additions	0	0
Revaluations	0	0
Depreciation	0	-119
Disposals	0	-16
Net Book Value at 31 March	0	287
Accumulated depreciation c/f	0	-457
Value at 31 March 2009	0	744

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2009, accounted for as part of long-term liabilities are as follows:

	Land and Buildings £000	Vehicles, Plant and Equipment £000
Payments in year	0	106
Obligations under finance leases, expiring:		
Within 1 year	0	79
Within 2 to 5 years	0	69
After 5 years	0	0
	0	148

These figures include commitments entered into as at 31 March, but that do not start until a later date.

(b) Lease Rentals

Details of the Council's use of operating leases in year, and lease commitments for future years, are given in the table below.

	Land and Buildings £000	Vehicles, Plant and Equipment £000
Payments in year	1,031	1,595
Commitments for next year, expiring:		
Within 1 year	29	295
Within 2 to 5 years	378	971
After 5 years	681	93
	1,088	1,359

20. Income from Leases

The County Council receives income from the rental of various properties and county farms. Rental agreements are treated as operating leases and the income is credited to the Income and Expenditure account in the year it is received.

In 2008/09, £1.6m was received in respect of leasing rentals, all of which was in respect of land and property.

21. Gross amounts of Assets recognised under Private Finance Initiative (PFI)

The County Council has a PFI contract with Bedford Education Partnership Ltd for the provision of new and refurbished school buildings and related facilities management at Harlington Upper School and Samuel Whitbread Upper School.

The Council accounts for this by building up the value of the assets within Long Term Debtors over the life of the contract.

22. Valuation of Fixed Assets carried

Assets are valued in accordance with the guidelines set by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

For 2008/09 approximately 20% of assets were revalued as at the 1st April 2008 in accordance with the County Council's accounting policy.

At year end, the SORP requires an additional impairment review to be undertaken, which usually requires no accounting treatment. However, this year due to downturn in the property market the whole asset base has been examined for impairment.

23. Movement in of Intangible Assets

	31 March 2009
	£000
Original cost	5,915
Amortisations b/f	(697)
Balance at 1 April 2008	5,218
Reclassifications	304
Expenditure in Year	204
Revaluations in Year	0
Amortisations in Year	(1,120)
Balance at 31 March 2009	4,606

Intangible assets generally relate to purchased software licences. The value of the intangible assets are amortised or (charged) to the Income and Expenditure Account in line with the expected useful life up to 10 years.

24. Analysis of Net Assets Employed

The net assets employed by the authority are analysed in the table below:

	31 March 2008	31 March 2009
	£000	£000
General Fund	12,728	3,468
Trading Operations	0	
Total	12,728	3,468

25. Interests in Companies

The Council is required to disclose information concerning material investments in subsidiary and associated companies.

For 2008/09, the Council has no material interests in subsidiary or associated companies.

26. Capital instruments

The Council does not have any capital instruments that are issued as a means of raising finance.

27. External Debt

These tables show the total amount owing to external lenders in respect of loans raised to finance capital expenditure.

For balance sheet presentation, long term loans are loans for more than a year.

At 31 March 2008 £'000	Maturity period	At 31 March 2009 £'000
411	Under 1 year	2,301
11	In 1-2 years	9
8,021	In 2-5 years	15,014
7,005	In 5-10 years	3
115,703	In 10-25 years	102,947
138,344	In more than 25 years	124,088
269,495	Total	244,362

A further analysis of the debt by the type of borrowing is as follows:

At 31 March 2008 £'000	Type of Borrowing	At 31 March 2009 £'000
247,168	PWLB	222,042
22,327	Money Market Loans	22,320
269,495	Total	244,362

The money market loan has a stepped interest structure. In accordance with the SORP, the associated finance costs are allocated to periods over the term of the debt at a constant rate on the carrying amount, which is increased by the finance cost, and reduced by payments made, in respect of the reporting period. The notional value of this loan at 31 March 2009 was £11.5m.

28. Financial Instruments

Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments

	long term		current	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Financial liabilities at amortised cost	269,084	242,061	411	2,301
Financial liabilities at fair value through profit & loss				
Total borrowings	<u>269,084</u>	<u>242,061</u>	<u>411</u>	<u>2,301</u>
Loans & receivables	6,279		91,000	36,874
Available for sale financial assets				
Total investments	<u>6,279</u>	<u>0</u>	<u>91,000</u>	<u>36,874</u>

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial liabilities	Financial assets	
	measured at amortised cost	loans & receivables	available for sale assets
Interest expense	-11,717		
Losses on derecognition			
Impairment losses			
interest payable & similar charges	<u>-11,717</u>	<u>0</u>	<u>0</u>
Interest income		4,998	
Gains on derecognition			
interest & investment income	<u>0</u>	<u>4,998</u>	<u>0</u>
Gains on revaluation			
Losses on revaluation			
Amounts recycled to the I&E account after impairment			
Surplus arising on revaluation of financial assets			<u>0</u>
Net gain/(loss) for the year	-11,717	4,998	0

Fair value of assets & liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Borrowing from the Public Works Loan Board is discounted at the board's published rates for new borrowing as at the valuation date.

- Other borrowing and investments are discounted using the rate applicable in the market on the date of valuation for an instrument with the same duration, structure and terms.
- Investments in deposit and call accounts and the investment in NIRAH have a fair value judged to be equal to the carrying amount.

The carrying amount and fair value of loans and investments as at 31 March 2009 is shown below:

	Carrying amount £000s	Fair value £000s
Borrowing	244,362	289,568
Investments	36,874	36,874

The fair value for borrowing is higher than the carrying amount because the Council has a number of fixed rate loans where the interest rate payable is lower than rates available for similar loans at the balance sheet date.

Due to their short term nature, investments have a fair value equal to the carrying amount.

Financial Risk Management

The Council activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements

The Council has adopted the CIPFA’s code of practice “Treasury Management in the Public Services” and sets treasury management indicators to control these key financial instrument risks in accordance with CIPFA’s “Prudential Code”. The following paragraphs summarise how that control is implemented under policies and strategies approved by the Council:

Credit Risk

The Council’s list of counter-parties with whom it may place deposits is pre-approved and contains only those organisations that are deemed to have a high credit rating. Exposure to credit risk is monitored on an on-going basis. The Council has not experienced a default on the repayment of its investments in the past and considers its exposure to credit risk minimal.

The Council also maintains a formal counter-party policy in respect of those organisations from whom it may borrow.

Liquidity Risk

The Council ensures that sufficient cash is available to fund ongoing operations by maintaining effective cash forecasting and monitoring systems and by securing adequate sources of short term financing. Additionally, an appropriate proportion of funds available for investment are kept in easy access accounts. As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be

unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 15% of loans are due to mature in any one year.

The maturity analysis of financial liabilities is as follows:

At 31 March 2008 £'000	Maturity period	At 31 March 2009 £'000
411	Under 1 year	2,301
11	In 1-2 years	9
8,021	In 2-5 years	15,014
7,005	In 5-10 years	3
115,703	In 10-25 years	102,947
138,344	In more than 25 years	124,088
269,495	Total	244,362

Market Risk

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the income and expenditure account or STRGL. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the income and expenditure account and affect the general fund balance pound (£) for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Council manages market risk by complying with the Prudential Code's requirements to place a prudent limit on exposure to variable interest rates. No specific measures such as hedging with derivatives are employed. As at 31 March 2009, all of the Council's borrowing is at fixed interest rates. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs. Following this strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	2
Increase in interest receivable on variable rate investments	-881
Increase in government grant receivable for financing costs	-2,000
Total impact on income & expenditure account	-2,879

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

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

29. Provisions

The movement of provisions is summarised as follows:

Provision	Balance at 1 April £'000	Contributions to/(from) £'000	Provision used £'000	Provision unwound £'000	Balance at 31 March £'000
<u>Insurance:</u>					
Public Liability	2,670	90			2,760
Employers Liability	296				296
Motor	43				43
Property Fire	13				13
Balance of Risk	233				233
	3,255	90	0	0	3,345
<u>Other:</u>					
Single Status	5,683	-1,293	-1,280		3,110
Community Services	4				4
House Sale	62				62
Warranty Liability	142		-115		27
Legal Fees	180	-80			100
Other	55	28			83
	6,126	-1,345	-1,395	0	3,386
Total	9,381	-1,255	(1,395)	0	6,731

Brief explanations of what these provisions represent are given below:

- **Insurance** provisions provide for identified but unpaid claims at 31 March 2009 that are to be met under self-funding insurance arrangements for liability, motor vehicle and fire risks.
- The Council has made a provision for the financial impact of the implementation of **Single Status** for the Council, including national insurance and pension costs.
- The **Community Services** provision covers management fees for Mencap and possible staff claims. This is expected to be settled by 2010. There is uncertainty around this settlement due to agreement not being reached.
- The **House Sale** provision covers outstanding debt for care costs which exceed the estimated value secured against property.
- A **Warranty Liability** provision has been created to cover a warranty liability in 2008/09 and 2009/10 following a supplier Ltd entering into administration.
- A provision has been made for **Legal Fees** relating to two cases expected to be settled in 2008/09.
- Other provisions are within **Community Services** for employment tribunals sleep in claims and contract disputes.

30. Analysis of Earmarked Reserves

	Balance at 1 April £'000	Transfer from £'000	Transfer to £'000	Balance at 31 March £'000
<u>Customer Engagement & Corporate Services</u>				
SAP Upgrade	0			0
County Council Elections	117	(117)		0
Other	185	(185)	10	10
	302	(302)	10	10
<u>Assistant Chief Executive</u>				
Local Area Agreement	215	(215)		0
Local Area Agreement Reward Grant (LAA)	119	(119)	435	435
Other Assistant Chief Executive	82	(82)	5	5
	416	(416)	440	440
<u>Finance</u>				
Finance Recovery	150	(150)		0
Insurance	3,262		788	4,050
Business Improvement	800	(800)		0
Receptive Incentive Scheme	600	(600)		0
Other Finance	151	(151)		0
	4,963	(1,701)	788	4,050
<u>Children's Services</u>				
Vandyke Sports Field	119		15	134
Education Trading Services	0			0
Building School for the Future (BSF) Project	645		837	1,482
Sure Start Additional Grant	230	(230)		0
Mid Beds Private Finance Initiative (PFI)	7,181		386	7,567
Other Children's	118	(54)		64
	8,293	(284)	1,238	9,247
<u>Environment</u>				
Waste Local Area Agreement (LAA) Targets	300	(300)		0
Statutory Plans	132		18	150
Planning Income	168	(168)	150	150
Archaeology	154			154
Integrated Waste / WEEE scheme	545	(545)		0
Job Growth Programmes and Feasibility Studies	237	(237)		0
Decapitalisation Shortfall	376	(376)		0
NIRAH	400	(250)		150
Other Environment	74	(50)	18	42
	2,386	2,386	2,386	646
<u>Community Services</u>				
Cultural Inspection Plan	16	(16)		0
Adult Education	99	(99)		0
Confident Communities Fund	1,000	(1,000)		0
Archives and records office	38		75	113
Houghton Regis Library			28	28
Social Care Reform Grant			183	183
Supporting People Admin Grant			55	55
Other Community	79	(59)		20
	1,232	(1,174)	341	399
Carry Forwards	2,928	(2,928)	1,917	1,917
School Reserves	12,067		1,956	14,023
Total	32,587	(6,575)	7,976	30,732

Earmarked reserves are presented by service, with those with an opening or closing balance in excess of £100K demonstrated individually. Brief explanations of the purpose for which these reserves are held are given below:

- The **LAA (local Area Agreement) Reward Grant** is in respect of the LAA 1 NEET (Not in Education, Employment or Training) target. This is the only target which at the end of 2008/09, the Partnership manager could definitely state had been achieved.
The total LAA 1 reward grant available is £10.875m and there are a total of 17 targets which attract a reward. The reward grant claim is due to be submitted at the end of 2009/10 with a further opportunity to update the claim at the end of 2010/11. Payments of the claim will be made in two equal instalments at the end of 2009/10 and 2010/11. Payments will be split 50% capital and 50% revenue.
- The **Insurance** reserve is based on amounts required to cover costs that are self-insured, and not already covered by a provision.
- **Vandyke Sport Field**. A floodlight artificial turf pitch was constructed in 1997. The profits for income generated by hiring out the pitch are held on behalf of the school to replace the surface when necessary.
- The **Building Schools for the Future** reserve will be used mainly to cover the costs of the Building Schools for the Future project team and external advisers.
- The **Mid Beds Private Finance Initiative (PFI)** reserve is to fund the Private Finance Initiative at Harlington and Samuel Whitbread Upper Schools. The project is over 32 years finishing in 2036.
- The **Statutory Plans** reserve aims to meet the costs of producing statutory plans and responding to public enquiries.
- The **Planning Income** reserve is to cover potential shortfall in income from planning fees due to a downturn in the property market.
- The **Archaeology** reserve is required for the St Mary's Church refurbishment works and to meet any future shortfall given that the unit operates as a trading unit and therefore potentially prone to fluctuations in economic growth.
- This reserve is to provide for the National Institute for Research into Aquatic Habitats (**NIRAH**) Project which will be based in disused clay brick pits near Stewartby and is due to be completed by 2010. The Nirah project will be both a tourist attraction and a scientific research centre.
- The **Archives and Records Office** is for additional storage space for the short to medium term.
- **Social Care Reform Grant** is residual monies from the first year of a 3 year ring fenced grant to enable Local Authorities to make significant progress in implementing 'Personalisation' by March 2011. The reserve will be used for expenditure incurred in re-designing processes and services and/or in building local capacity with Adult Social Care.
- **Carry Forwards** are mainly balances of grants or underspends within Children's Services.
- **School Reserves** consists of individual School revenue and capital carry forwards of underspends.

31. Movements of Total Reserves and Balances

Details on the movement in reserves and balances that make up the 'net worth' of the Council are given below:

	Balance at 1 April 2008 £'000	Net Movement £'000	Balance at 31 March 2009 £'000
Capital Adjustment Account	(955,011)	342,002	(613,009)
Revaluation Reserve	(30,366)	(17,542)	(47,908)
Financial Instruments Adjustment Account	728	(26)	702
Pension Reserve	128,990	58,704	187,694
Single Status Reserve	3,420	(796)	2,624
Capital Receipts Reserve	0	(1,620)	(1,620)
General Fund	(12,728)	9,260	(3,468)
Schools' Reserves	(12,065)	(1,957)	(14,022)
Other Earmarked Reserves	(20,518)	3,811	(16,707)
Total	(897,550)	897,550	(505,714)

Brief explanations of what these reserves represent are given below:

- The **Capital Adjustment Account** represents timing differences between the amount of historical cost of fixed assets that has been consumed, and the amount that has been financed in accordance with statutory requirements.
- The **Revaluation Reserve** represents the amount by which the current value of fixed assets is greater than depreciated historic cost. Whilst these gains increase the net worth of the Council, this amount could only be used if the relevant assets were sold.
- The **Financial Instruments Adjustment Account** represents the differences between fair value and cash transactions on financial instruments.
- The **Pension Reserve** reflects the projected employer liabilities for pensions relating to employees past and present.
- The **Single Status Reserve** reflects the projected costs of implementing equal pay.
- The **Capital Receipts Reserve** shows the level of capital receipts not yet used.
- The **General Fund** shows the level of non-earmarked reserves – available for any purpose. It is a requirement the Council operates a prudent level of reserves.
- **Schools' Reserves** are the total level of reserve held by schools, and can only be used for expenditure within schools.
- **Other earmarked reserves** shows the level of reserves set aside for specific purposes. The detail of these is given above.

32. Contingent Liabilities/ Contingent Assets

There have been a number of recent developments which may have an impact on the finances of the County Council.

Firstly, there is some concern surrounding a long term investment on the balance sheet. The £1.3m is at risk of not being repaid. There is likely to be greater clarity on the position later in the summer.

The accounts of the Citizens' Services Partnership for 2004/05, 2005/06 and 2006/07 were submitted for Audit in March this year following the end of the criminal investigation. The accounts were disclaimed and the Audit Commission have subsequently written to the Department for Culture and Local Government regarding the £1.7m grant to the CSP from the Office of the Deputy Prime minister at that time. It is expected that further information here will also be available during the course of the audit.

There is also ongoing legal discussion between Bedfordshire County Council and a contractor in respect of non performance of the catering contract and insufficient client numbers. There being a claim of £1.6m (contingent asset) and a counter claim of £2m (contingent liability). These legal discussions continue.

33. Details of material events after the balance sheet date

There have been no material events after the balance sheet date.

34. Trust Funds (where the authority acts as sole trustee)

The Council acts as sole or custodian trustee for 256 trust funds and as one of several trustees for no funds. In neither case do the funds represent assets of the Council and they have not been included in the Balance Sheet.

Funds for which Bedfordshire County Council acts as sole trustee:

	Income £000	Expenditure £000	Assets £000	Liabilities £000
Adult Services				
1. Norah Mavis Campbell	12	5	95	1
2. LuDun Trust	5	2	23	1
Children's Services				
3. L W Williams	0	0	10	0
4. Wootton Old School	5	0	142	0
	22	7	270	2

Notes:

1. Created in 1999 (existing prior to this but not as a registered fund)
To provide benefit to elderly persons in need who reside within the area of Bedford Borough Council.
2. Created in January 1986 (took over from Ludun Ltd, private charitable company founded in 1950)
To provide employment, training and other assistance to adults from the Bedfordshire area with a learning or physical disability
3. Created on 15/12/93
To provide for bursary/scholarship for the pupils with the best A level results for the Dunstable area (excluding Luton).
4. Created on 28/08/96
80% of proceeds of sale of school held in trust, as the school itself was subject to 1876 Conveyance which established a trust.

Other Funds	Capital Value of Fund £000
Safe Custody - Adult Services	6
Safe Custody - Children's Services	113
	119

The assets shown represent balances held within the Bedfordshire County Council bank account. Trusts within Adults Services also have a number of external investments in the form of shares and government stocks. The estimated value of these investments at 31 March 2009 is £52,000.

35. Schools Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements was £13.8 million as at 31 March 2009 (£12.0 as at 31 March 2008) which is carried forward into 2009/10.

The Council's expenditure on schools is funded by grant monies, the Dedicated Schools Grant (DSG), provided by the Department of Education and Skills. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The council is able to supplement to the Schools Budget from its own resource and this year budgeted an additional £365k spending. The actual amount utilised was £77k.

Details of the deployment of DSG receivable for 2008/09 are as follows:

Schools Budget Funded By Dedicated Schools Grant			
	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Original Grant Allocation to Schools Budget	23,388	204,258	227,646
Net Transfers	(870)	870	0
Adjustment to finalised grant allocation	46	0	46
DSG receivable for the year	22,564	205,128	227,692
Actual expenditure for the year	(23,480)	(203,686)	(227,166)
(Over)/underspend for the year	(916)	1,442	526
Funding of Schools Budget from Council resources	77	0	77
Transfer to schools balances	0	(1,442)	(1,442)
(Over)/underspend from prior year	2,527	0	2,527
(Over)/underspend carried forward to 2009/10	1,688	0	1,688

36. Defined Benefit Schemes

Employees of Bedfordshire County Council are admitted to the Bedfordshire Pension Fund (the Fund) which is administered by Bedfordshire County Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme. The cost of retirement benefits is recognised when they are earned by employees, rather than when they are eventually paid as pensions by charging a proportion of each employee's earnings to the accounts. The figures disclosed have been derived by suitable approximation methods from the actuarial valuation of the Fund carried out by Hyman Robertson as at 31 March 2009.

The employer's contribution certified by the actuary to the Fund in respect of the financial year 2008/09 was 25.6% of pensionable pay (23.6% in 2007/08).

Financial Assumptions

2007/08 %	Assumptions at 31 March	2008/09 %
3.6	Price Increases	3.1
5.1	Salary Increases	4.6
6.0	Expected Return on Assets	6.7
6.9	Discount Rate	6.9

Expected Returns on Assets by Category

2007/08 %	Assets at 31 March	2008/09 %
7.7	Equities	7.0
5.7	Other Bonds	5.6
5.7	Property	4.9
4.8	Cash	4.0

Amounts charged to the Income & Expenditure Account

2007/08 £m		2008/09 £m
	Net Cost of Service	
16.8	Current Service Cost	11.8
0.0	Past service Cost	3.7
0.3	Settlements and Curtailments	0.1
	Net Operating Cost	
(24.9)	Expected Return on Assets	-26.1
29.8	Interest on Pension Schemes Liabilities	35.6
(22.0)	Employers' Contributions	25.1
-2.7	Actual return on Plan Assets	-74.6

Reconciliation of Liabilities

2007/08		2008/09
£m	Council share of Pension Fund	£m
550.4	Opening Balance	514.2
16.8	Current Service cost	11.8
29.8	Interest Cost	35.6
5.7	Contributions by members	6.6
(68.1)	Actuarial Losses / (Gains)	-44.6
0.0	Past Service Costs / (Gains)	3.7
0.3	Losses / (Gains) on Curtailments	0.1
(1.4)	Estimated Unfunded Benefits Paid	-1.2
(19.3)	Estimated Benefits Paid	-18.7
514.2	Net Assets / (Liabilities) at 31 March	507.5

Reconciliation of Assets

2007/08		2008/09
£m	Council share of Pension Fund	£m
362.4	Opening Balance	385.2
24.9	Expected Return on Assets	26.1
5.7	Contributions by members	6.6
20.9	Contributions by employer	22.2
1.4	Contributions re Unfunded Benefits	1.2
(9.4)	Actuarial Gains / (Losses)	-101.7
(1.4)	Estimated Unfunded Benefits Paid	-1.2
(19.3)	Estimated Benefits Paid	-18.7
385.2	Net Assets / (Liabilities) at 31 March	319.7

Fair value of attributable Assets / Liabilities

2007/08		2008/09
£m	Council share of Pension Fund	£m
	Assets at 31 March	
216.6	Equities	172.6
63.9	Other Bonds	67.1
37.6	Property	25.6
67.1	Cash	54.4
385.2		319.7
	Liabilities at 31 March	
(496.4)	Present value of scheme liabilities	-490.6
(17.8)	Present value of unfunded liabilities	-16.8
(514.2)		(507.4)
(129.0)	Net Assets / (Liabilities) at 31 March	(187.7)

Movements in Surplus / Deficit for the year

2007/08		2008/09
£m		£m
385.2	Fair Value of Employer Assets	319.7
(514.2)	Present Value of Liabilities	-507.4
(129.0)	Surplus / (Deficit)	-187.7
	Experience Gains / (Losses):	
(9.4)	On Assets	-101.7
(1.2)	On Liabilities	0.3

Analysis of amounts to be recognised in the STRGL

2007/08		2008/09
£m		£m
-59.9	Cummulative Actuarial Gains / Losses b/f	-1.3
58.6	Actuarial Gains / (Losses)	-57.1
(1.3)	Cummulative Actuarial Gains / Losses c/f	-58.4

Projected Pensions Expenses

	2009/10	
	£m	% of pay
Projected Current Service Cost	10.1	10.1
Interest on Liabilities	34.9	35.0
Expected Return on Plan Assets	(19.4)	-19.5
Past Service Cost	0.0	0.0
Losses / /(Gains) on Curtailments and Settlements	0.0	0.0
Total	25.6	25.6
Estimated employer contributions	21.8	

37. Teachers' Pension Scheme

The scheme is a defined benefit scheme administered by the Teachers' Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the County Council to identify a share of the underlying liabilities attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

There were no material contributions remaining payable to the TPA as at 31 March 2009.

The County Council is responsible for any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme.

Teachers employed by the County Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. It provides teachers with defined benefits upon their retirement, and the County Council contributes towards the costs by making a contribution based on a percentage of members' pensionable salaries.

In 2008/09 the County Council paid £18.3m to the Teachers' Pensions Agency in respect of teachers' pension costs, representing 14.1% of teachers' pensionable pay (£17.6m and 14.1% in 2007/08). In addition, the County Council is responsible for all pension payments relating to added years it has awarded for premature retirement, together with the related pension increases. In 2008/09 these amounted to £3.39m (£3.29m 2007/08).

40. Definition of Liquid Resources

Liquid resources are the Short Term Investments shown on the Balance Sheet under Total Current Assets and explained in the following note to the Core Financial Statements.

41. Movement in Financing and Management of Liquid Resources

The items included in financing and management of liquid resources can be analysed as follows:

	As at 1 April 2008	As at 31 March 2009	Total Movement	Non Cash Movement	Cash Movement
	£'000	£'000	£'000	£'000	£000
Financing					
PWLB	247,168	222,042	25,126	(36)	25,090
Money Market Loans	22,327	22,321	6	(6)	0
Temporary Loans	0	0	0	0	0
Liquid Resources					
Short Term Investments	(92,637)	(36,874)	(55,763)	763	(55,000)
Total	176,858	207,489	(30,631)	721	(29,910)

42. Analysis of Government Grants for the Cash Flow Statement

Set out below is an analysis of Government Grants received during the year on a cash basis.

	2007/08 £'000	2008/09 £'000
Department for Children, Schools and Families	278,711	269,964
Department of Health	10,432	1,856
Department of Communities & Local Government (formerly ODPM)	26,384	27,605
Other Grants	57,151	49,604
	372,678	349,029

10) PENSION FUND

Introduction

This section summarises the accounts of the Bedfordshire Pension Fund for the year ending 31 March 2009. In addition, the Pension Fund prepares an Annual Report and Accounts which reports more fully on the Fund's activities and financial position.

The Local Government Pension Scheme is statutorily based and is governed by the Local Government Pension Scheme Regulations 1997 and subsequent amendments.

Up to 31st March 2009, the Bedfordshire County Council was the administering authority for the Pension Fund. From 1st April 2009, Bedford Borough Council will become the administering authority.

Membership of the Fund

The purpose of the Local Government Pension Fund is to cover the current and future pension entitlements of all employees of the County Council, Borough and District Councils, other than teaching staff who have their own national pension scheme. A number of other organisations are also admitted to the Pension Fund. A full list of participating bodies as at 31 March 2009 is shown at the end of this section.

As at 31 March 2009, the number of employees (i.e. from Bedfordshire Councils and the other scheduled and admitted authorities) contributing to the Fund was 17,288, the number of pensioners was 10,772 and the number of deferred pensioners was 15,825.

How the Scheme works

Local Government Pension Funds are required to be funded, being financed by contributions from employees, employers and earnings from investments. Regular actuarial valuations are undertaken and employers' contributions reviewed to ensure that the Fund's assets are sufficient to meet its funding targets.

The County Council is required to enable employees to make additional voluntary contributions to supplement their pension benefits.

Statement of Investment Principles

The County Council has produced a Statement of Investment Principles which sets out the policies adopted and principles guiding the selection of Pension Fund investments. It includes policy on the spread of, and return from, investments, risk and the extent to which ethical and environmental considerations are taken into account and the exercise of voting rights.

A copy of the Statement of Investment Principles is available from County Hall or on the internet via www.bedford.gov.uk/pensions and is replicated in the Pension Fund's Annual Report and Accounts.

Investment Management

The balance on the Pension Fund, not immediately required to meet pensions and other benefits, is invested in a selection of fixed interest securities, equities of United Kingdom and overseas companies, property and unit trusts etc. under the Local Government Pension Scheme (Management & Investment of Funds) Regulations 1998 and subsequent amendments.

Management of the Fund's investments is undertaken by external Investment Managers. The Managers and the portfolios they hold are shown below, together with the proportion of the Fund's assets that each represents. Custody arrangements are undertaken on behalf of the Fund by The Northern Trust Company.

- Barclays Global Investors – Passive Multi Asset (£182m - 21%)
- Barclays Global Investors – Global Tactical Asset Allocation (£41m - 5%)
- Legal & General – Passive UK Equities (£170m – 19%)
- Legal & General – Global Equities (£62M – 7%)
- Aberdeen Asset Management – Active Global Fixed Interest (£112m - 13%)
- ING Real Estate Investment Management – Indirect Property (£74m - 8%)
- Credit Suisse Asset Management – Commodities (£34m – 4%)
- FX Concepts – Currency (£35m – 4%)
- Lazard Asset Management – Global Equities (£90 – 10%)
- Trilogy Global Advisors – Global Equities (£34m – 4%)

In addition, net current assets of £53m (6%) are managed by the administering authority.

Administration of the Fund

The County Council is the administering authority and scheme administration is the responsibility of the Director of Finance.

A separate detailed report on the Pension Fund is available from:

Geoff Reader – Head of Pensions and Treasury Management
Borough Hall
Bedford
MK42 9AP

Tel: 01234 228562

ACCOUNTING POLICIES

Accounting Standards

The accounts of the Pension Fund have been prepared to meet the requirements of the Local Government Pension Scheme Regulations 1997 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes (Revised May 2007). They also comply with the CIPFA Code of Practice on Local Authority Accounting in Great Britain. The accounts summarise the transactions and net assets of the fund and do not take account of liabilities to pay pensions and other benefits in the future. They should therefore be read in conjunction with the actuarial report on page 52, which takes account of such liabilities.

Basis of Preparation

Unless otherwise stated, the accounts have been prepared on the accruals basis.

Benefits

All pensions and lump sums payments have been included on the accruals basis other than some death gratuities which are paid on receipt of probate or letters of administration.

Refunds of Contributions

Refunds have been included on a cash basis.

Transfer Values

Transfer values to and from other schemes have been included on a cash basis.

Administrative Expenses

The administration of the Fund is undertaken by the County Council, in its role as administering authority. The Council's costs of administering the scheme are charged to the Fund.

Investment Management Expenses

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the fund has negotiated with the following managers that an element of their fee be performance related.

- Barclays Global Investors – Global Tactical Asset Allocation
- Henderson Asset Management – UK Equities
- FX Concepts – Currency

In 2008-09, £0.7M of fees was performance related.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2008-09, £1.2M of fees is based on such estimates.

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the County Council's costs representing time spent by officers on investment management is also charged to the fund.

Investments

Investments are shown in the accounts at market value, determined as follows:

- (i) Quoted securities are valued by reference to market price at the close of business on 31 March 2009.
- (ii) Equity futures are valued by reference to their quoted price as at 31 March 2009.
- (iii) Other unquoted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.
- (iv) Unit trust and managed fund investments are valued at the mid-point of the latest prices quoted by their respective managers prior to 31 March 2009.
- (v) Assets, including investments, denominated in foreign currencies are valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2009. Exchange gains and losses arising from movements in current assets and liabilities are included in the fund account for the year.

Investment assets include cash balances held by the fund managers and debtor and creditor balances in respect of investment activities.

From 1st April 2008, quoted securities are valued by reference to their closing prices instead of mid-market price. If the Fund's assets at 31 March 2008 were to be valued in this way their value would have been £1,037M.

Acquisition Costs of Investments

Where shown, the cost of investments includes direct costs of acquisition.

AVC Investments

The County Council has arrangements with Standard Life Assurance Company to enable employees to make additional voluntary contributions (AVCs) to supplement their pension benefits. AVCs are invested separately from the Fund's main assets and the assets purchased are specifically allocated to provide additional benefits for members making AVCs. The value of AVC assets is not included in the Fund's net asset statement.

Taxation

The fund is exempt from tax on capital gains and from income tax on interest receipts. VAT is recoverable on all expenditure, and all of the fund's income is outside the scope of VAT.

The fund is liable to tax at a rate of 20% on small pensions that have been compounded into a lump sum.

The fund is exempt from US withholding tax.

FIVE YEAR FINANCIAL SUMMARY

	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000
Net assets at 1 April	706,986	795,209	980,356	1,079,577	1,074,800
Contributions	56,537	64,217	74,996	77,666	84,512
Investment and other income	28,221	32,200	35,001	33,522	25,972
Total income	84,758	96,417	109,997	111,188	110,484
Benefits and other expenses	(54,233)	(54,222)	(57,674)	(64,504)	(70,126)
Change in market value of investments	57,698	142,952	46,898	(51,461)	(227,742)
Increase/(decrease) in value of fund	88,223	185,147	99,221	(4,777)	(187,384)
Net Assets at 31 March	795,209	980,356	1,079,577	1,074,800	887,416

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	2007/2008	2008/2009	See
	£000	£000	Note
Contributions and Benefits			
Contributions receivable	77,666	84,512	1
Transfers from other schemes	13,743	10,143	2
Other Income	54	(4)	
	91,463	94,651	
Benefits payable	(51,411)	(54,834)	3
Payments to and on account of leavers	(8,394)	(10,312)	4
Other payments	-	-	
Administrative and other expenses	(1,212)	(1,036)	5
Net additions/(withdrawals) from Dealings with members	30,446	28,469	
Returns on Investments			
Investment income	19,725	15,833	6
Change in market value of investments	(51,461)	(227,742)	
Investment management expenses	(3,487)	(3,944)	7
Net return on investments	(35,223)	(215,853)	
Net increase in the fund during the year	(4,777)		
Net assets of the fund at 1 April	1,079,577	(187,384) 1,074,800	
Net assets of the fund at 31 March	1,074,800	887,416	

NET ASSETS STATEMENT AS AT 31 MARCH 2009

	2007/2008	2008/2009	See
	£000	£000	Note
Investments			
Fixed interest securities	54,772	40,368	
Equities	257,155	82,756	
Managed and unitised funds	711,651	690,371	
Property	-	-	
Cash deposits & other assets	15,162	38,562	
	1,038,740	852,057	8

Current Assets

Debtors	6,469		7,412		9
Cash	30,728	37,197	28,778	36,190	10

Current Liabilities

Receipts in advance	-		-		
Provision for bad debts	(32)		(103)		12
Creditors	(1,105)	(1,137)	(728)	(831)	11

Net assets of the fund at 31 March

1,074,800

887,416

NOTES TO THE ACCOUNTS

Fund account	2007/08 £000	2008/09 £000
1 Contributions receivable		
Employees' normal contributions	17,190	19,883
Employees' additional contributions	637	544
Employers' normal contributions	43,242	46,236
Employers' deficit funding	11,276	12,944
Employers' special contributions	5,321	4,905
	77,666	84,512
Administering authority	28,276	30,664
Scheduled bodies	42,245	45,782
Admitted and other bodies	7,145	8,066
	77,666	84,512

Employers' special contributions relate to payments for the cost of enhanced benefits and early retirements.

	2007/08 £000	2008/09 £000
2 Transfers from other schemes		
Group transfers from other schemes	-	4,202
Individual transfers from other schemes	13,743	5,941
	13,743	10,143
3 Benefits payable		
Pensions	42,386	45,206
Lump sum retirement benefits	8,231	8,256
Lump sum death benefits	785	1,362
Commutations of small pensions	9	10
	51,411	54,834

Benefits paid include the cost of early retirements of £3.5M which is paid for by special contributions from employers. Benefits paid are further analysed as:

	2007/08 £000	2008/09 £000
Administering authority	21,121	22,168
Scheduled bodies	26,233	28,089

Admitted and other bodies	4,057	4,577
	51,411	54,834
4 Payments to and on account of leavers		
Refunds of contributions	16	19
State scheme premiums	2	7
Transfers to other schemes – individuals	8,376	10,286
Transfers to other schemes – group transfers	-	-
	8,394	10,312
5 Administrative & other expenses		
Administering authority	797	829
System costs & development	279	108
Actuarial fees	108	38
Other	28	61
	1,212	1,036
	2007-08	2008-09
	£000	£000
6 Investment income		
Fixed interest securities	2,171	1,505
Dividends from equities	8,576	5,397
Index linked	25	33
Pooled investment vehicles	6,474	6,675
Property rents	-	-
Cash & cash instruments	2,479	2,223
	19,725	15,833
7 Investment management expenses		
Administering authority	95	100
Investment managers' fees	2,774	2,991
Investment managers' performance related fees	520	662
Investment advice & other costs	99	191
	3,488	3,944
Net Asset Statement	2007-08	2008-09
	£000	£000
8 Investments		
8.1 Fixed Interest Securities		
UK government securities	41,763	38,162
UK corporate securities	9,500	-
Overseas securities	-	2,206
Overseas securities – index linked	3,509	-
	54,772	40,368
8.2 Equities		
UK quoted equities	100,887	7,740
UK equity futures	-	-
Overseas equities	156,268	75,016
	257,155	82,756
8.3 Managed and Unitised Funds		
UK authorised unit trusts	3,529	-
UK un-authorised unit trusts	70	27
UK insurance managed funds	263,686	328,137
UK property unit trusts	97,304	55,937

Overseas unit trusts	347,062	306,270
	711,651	690,371
8.4 Derivative Contracts	-	43
8.5 Cash Deposits & Other Investment Assets		
Cash deposits	13,175	43,844
Due to and from the Stock Exchange	(464)	(6,093)
Investment income outstanding	2,451	
	15,162	
Total	1,038,740	852,057
8.6 Quoted/Un-quoted Investments		
Quoted	411,102	224,416
Un-quoted	627,638	627,641
	1,038,740	852,057

8.7 Value of Investments

Investments at 31 March 2009 had a market value of £852M compared to a cost of £981M (at 31 March 2008 the market value of investments was £1,039M with a cost of £964.4M). The increase in the cost of investments of £16.6M (2007/08: £82.6M) represents the net effect of purchases of £597.9M (2007/08: £616M) and sales of £604.5M (2007/08: £535.6M) plus movements in cash of £23.2M.

The net gain on the sale of investments was £24.5M in 2008/09 (2007/08: £36.6M). This sum, together with an excess of income over expenditure of £40.4M (2007/08: £46.7M), generated additional funds available for investment during the year of £64.9M (2007/08: £83.3M).

Brokers' commissions and other costs of acquisition are included in the cost of investments purchased.

Managed and unitised investments, other than property unit trusts, are predominantly in Barclays Global Investors' Aquila & Ascent Life Funds, Legal & General's Pooled Pension Fund Policy and Aberdeen Asset Management's Sterling Credit Fund. The amount and the percentage of the net assets of the fund, as at 31 March 2009, that these represent is shown below:

- Barclays Global Investors Aquila Life Fund - £182.3M (21%)
- Legal & General Pooled Pension Fund Policy - £231.8 (27%)
- Aberdeen Asset Management Sterling Credit Fund - £73.2M (8%)

No other assets comprised more than 5% of the net assets of the fund as at 31 March 2009:

MV at 31/03/08	Purchase s at cost & derivative payments	Sale proceeds & derivative receipts	Change in MV	MV at 31/03/09
£000	£000	£000	£000	£000
Fixed Interest Securities				

UK	41,763	71,172	75,822	1,049	38,162
Overseas	13,009	650	10,262	(1,191)	2,206
	<u>54,772</u>	<u>71,822</u>	<u>21,649</u>	<u>(142)</u>	<u>40,368</u>
Equities					
UK	100,887	9,296	101,074	(1,369)	7,740
Overseas	156,268	29,791	114,427	3,384	75,016
	<u>257,155</u>	<u>39,087</u>	<u>215,501</u>	<u>2,015</u>	<u>257,155</u>
Managed Funds	263,686	338,582	168,443	(99,613)	334,212
Unit Trusts					
Property	97,304	1,380	5,486	(37,261)	55,937
Other	350,661	147,020	128,955	(68,504)	300,222
	<u>447,965</u>	<u>148,400</u>	<u>134,441</u>	<u>(105,765)</u>	<u>356,159</u>
Derivative contracts	-	129	596	510	43
Cash & other	15,162	-	-	23,357	38,519
					<u>852,057</u>
Total	<u>1,038,740</u>	<u>598,020</u>	<u>605,065</u>	<u>(179,638)</u>	

9 Debtors	2007/08	2008/09
	£000	£000
Contributions due from Bedfordshire County Council	2,285	2,758
Contributions due from other admitted authorities	3,902	4,292
Other	282	362
	<u>6,469</u>	<u>7,412</u>

10 Cash

The cash balance of £28.8M is held in the Fund's own bank accounts. Cash held by the fund's managers is included in investment assets.

11 Creditors	2007/08	2008/09
	£000	£000
Due to Administering Authority in respect of administration costs etc	253	5
Investment managers' fees	635	296
Other professional fees	57	52
AVCs in transit	-	210
Death grants	150	153
Other	10	12
	<u>1,105</u>	<u>728</u>

12 Provisions

The fund's managers reclaim tax withheld from investment income where international treaties allow. Bad debt provision is made for those claims that are over one year old and considered unlikely to be recovered.

13 Self-investment

The regulations governing investment of pension funds require the disclosure of any self-investment by the fund. As at 31 March 2009, there was no self investment by the fund.

14 Related party transactions

The Pension Fund is a related party to its administering authority and other participating employers. The elected members who serve on the Pension Fund Panel and the senior officers of the Administering Authority who advise them are also related parties; there were no transactions between these members and officers and the fund during 2008-09.

Costs incurred by Bedfordshire County Council in its role as administering authority are charged to the fund. In 2008-09 costs recharged by Bedfordshire County Council were £929k.

The only other material related party transactions during 2008/09 were in respect of contributions paid by the employing bodies into the fund.

15 Contingent Liabilities and Contractual Commitments

There were no material contingent liabilities and/or contractual liabilities as at 31 March 2009.

16 Stock Lending

The Fund did not undertake any stock lending in 2008-09

17 Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. These contributions are invested separately from the fund's other assets with the Standard Life Assurance Company.

AVCs	2007/08	2008/09
	£000	£000
Value at 1 April	3,549	3,564
Income		
Contributions received	282	293
Transfer values received	72	67
Demutualisation entitlement	-	-
	354	360
Expenditure		
Retirements	(422)	(374)
Transfers values paid	(61)	(41)
Lump sum death benefits	(1)	-
Other	-	-
	(484)	(415)
Change in market value	145	(290)
Value at 31 March	3,564	3,219

In accordance with Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, additional voluntary contributions are excluded from the Fund Account and Net Assets Statement.

18 Post Balance Sheet Events

There are no material post balance sheet events.

REPORT OF THE ACTUARY

Actuarial valuations are made at three yearly intervals in accordance with the Local Government Pension Scheme Regulations (1997). The most recent valuation was undertaken as at 31 March 2007.

The principal purpose of the actuarial valuation is to establish the current financial position of the fund and, in so doing, to establish appropriate contribution rates for each participating employer. These contribution rates are set at a level sufficient to meet current service costs and to eliminate, over a period of time, the deficit arising from past service costs.

The rates payable by the County Council, participating Borough and District Councils and other scheduled bodies vary from the overall funding level according to the employer's individual circumstances. The rates applying from 1 April 2007 (expressed as a percentage of employees' pensionable pay) are shown on page 8. Some employers have elected to pay a lower percentage of employees' pensionable pay but instead to make additional annual monetary payments into the Fund to meet past service cost deficits.

The 2007 valuation was based on a market value of the fund's assets at 31 March 2007 of £1,080m. and revealed a past service deficiency of £274m. This represents a funding level of 80% of past service liabilities, an improvement from the position shown at the previous valuation of 73%.

The required level of contributions to be paid to the fund, in order to meet the funding target of 100% of past service liabilities and to eliminate the past service deficit over a period of twenty years, for the fund as a whole, is 18.3%. This is the common contribution rate and is payable from 1 April 2008. Individual adjustments to the common contribution rate, specific to each employer, are applicable from that date.

The contribution rate has been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:-

Rate of return on investments	6.4% per annum
Rate of general pay increases:	4.7% per annum
Rate of increases to pensions in payment (in excess of guaranteed minimum pensions):	3.2% per annum

**Hymans Robertson
Actuary**

BODIES PARTICIPATING IN THE BEDFORDSHIRE PENSION FUND

Scheduled Bodies:

Ampthill Town Council
Arlesey Town Council
Barnfield College
Barnfield South Academy
Barnfield West Academy
Bedford Borough Council
Bedford College
Bedfordshire County Council
Bedfordshire and Luton Combined Fire Authority
Bedfordshire Police Authority
Bedfordshire Probation Committee
Bedfordshire and River Ivel First Internal Drainage Board
Biggleswade Town Council
Bromham Parish Council
Caddington Parish Council
Dunstable College
Dunstable Town Council
Eastcotts Parish Council
Flitwick Town Council
Harlington Parish Council
Houghton Regis Town Council
Kempston Burials Joint Committee
Kempston Town Council
Leighton Linlade Town Council
Luton Borough Council
Luton VI Form College
Marston Moretaine Parish Council
Mid-Bedfordshire District Council
Potton Town Council
Sandy Town Council
South Bedfordshire District Council
Stotfold Town Council
Toddington Parish Council
University of Bedfordshire
Wootton Parish Council

Admitted and other Member Bodies:

Active Luton (Leisure Trust)
Amey Infrastructure Services
Aragon Housing Association
Bedford Bereavement Care Ltd.

Bedfordshire & Luton Mental Health Trust
Bedfordshire Pilgrims Housing Association
Bedford Town Centre Co. Ltd
Christian Family Care
Community Housing Association
Cranfield University
Galliford Try
Luton Cultural Services Trust
St Christopher's Fellowship
St Francis Children's Society

11) ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement for Bedfordshire County Council

Attached at addendum A is the Annual Governance Statement approved by Bedfordshire County Council as at 31st March 2009.

Central Bedfordshire Conclusions

There are a number of concerns surrounding the governance arrangements with the Primary Care Trust and Bedford and Luton Partnership Trust relating to the transfer of services and funding for learning disabilities, on-going funding of continuing health care as well as the quality of the statutory functions of social care being delivered by these partners.

In addition a number of work streams of the two new unitary authorities have identified some performance and risk issues that could affect the successor authorities. As a result this Annual Governance Statement reflects the factual position known to Central Bedfordshire at this time. Further due diligence work is being carried out to confirm and quantify the impact that these will have which will result in a list of candidate issues that will highlight areas for further review.

Signed: **Date**

Addendum A

Bedfordshire County Council
Annual Governance Statement

SCOPE OF RESPONSIBILITY

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

Bedfordshire County 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 carried out, making sure it delivers services with economy, efficiency and effectiveness.

The County Council is responsible for putting in place proper arrangements for the governance of its affairs, to enable it to carry out its functions, which include arrangements for the management of risk.

Bedfordshire County Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website and can be obtained from the Monitoring Officer or the Head of Internal Audit.

This statement should be read in conjunction with the Code of Corporate Governance. It explains how we have complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 on the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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 and 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, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bedfordshire County Council since 2001 and in this particular form since 2008.

The

governance framework
THE GOVERNANCE FRAMEWORK

This section of the Annual Governance Statement describes the key elements of the systems and processes that make up the authority's governance arrangements:

Bedfordshire County Council's vision

The Council's vision, its purpose and outcomes for its communities is set out in *Making Bedfordshire Thrive*. The Sustainable Community Strategy and its vision are both owned by the Countywide Partnership, with the County Council as the accountable body. The aim is to provide a common sense of direction for all partner organisations in Bedfordshire shaping and aligning our strategies and plans.

The Sustainable Community Strategy supports the County Council's vision for the future. The strategy was updated in April 2008 with a renewed evidence base, revised performance indicators and new targets. The Council's Medium Term Strategy, Making Bedfordshire Thrive programme and contribution to the Local Area Agreement are all key components of the Council's delivery of its vision.

Service quality

Each directorate provides information on performance indicators, which are incorporated into service plans. A performance report, containing a number of key indicators (set locally and nationally) is reviewed by the Corporate Management Board, relevant Portfolio Holders and the Overview and Scrutiny Committees each quarter. The Council's year-end performance position is detailed in its Annual Report.

Key roles and responsibilities

The terms of reference, roles and responsibilities for members of the Executive and all other Committees are set out in the Constitution, which went through a fundamental review completed in January 2008. The Scheme of Delegation sets out the roles and responsibility of officers and the powers delegated to officers by the Executive. The Protocol for Member / Officer Relations defines further the day-to-day roles and responsibilities of officers and members.

Codes of conduct and standards of behaviour

Employees of the Council must abide by the rules set out in the Code of Conduct for staff. The standards of behaviour expected of Members are set out in the Member Code of Conduct. All new Members must sign up to the code upon taking office. The Chairman of the Standards Committee is an independent member and 50% of the membership of the Committee is independent. The Committee operates an ethical risk register to guide its work programme. In 2008 the Council successfully implemented the new regime for dealing with complaints against Members. Through its Assessment and Review Sub Committees the Standards Committee has dealt with three complaints. None of them resulted in a full investigation or hearing before the full Committee.

Decisions, processes and controls

The rules governing how the Council operates are set out in the Council's Constitution. Rules are set out which govern the procedural elements of business, while financial regulations set out how financial activity is carried out and how financial interests are safeguarded. The Scheme of Delegation sets out the role of the Chief Executive and each of the directors. It also sets out the delegated authority given to officers in order to carry out the business of the Council. The Corporate Risk Management Strategy outlines the arrangements to ensure the Council identifies and deals with the key risks it faces.

Functions of the Audit Committee

Under the corporate governance and assurance framework the Audit Committee is responsible for reviewing the Annual Governance Statement and advising the Council or

Executive on matters. The terms of reference of the Audit Committee are set out in the Constitution. The Audit Committee has been effective in monitoring the Council's financial and risk management arrangements throughout the year. Internal Audit undertakes a risk based approach to its annual audit work, which is approved by the S151 officer and agreed with the Audit Committee.

In addition, the Audit Committee is the governing body charged with monitoring the internal control environment of the Council. The Committee has successfully tracked internal and external audit recommendations to ensure the continuous improvement of key systems and compliance with audit recommendations. This involves closely monitoring progress against current recommendations arising from all external inspection reports and high risk recommendations from internal audit reports, on a quarterly basis. Where issues are raised, the Committee calls the relevant senior manager to attend the Committee to explain what is being done to rectify the situation and closely monitors progress.

Compliance with relevant laws and regulations

The functions of the Monitoring Officer and Section 151 Officer are specified in the Constitution. The Assistant Director for Corporate Governance, as monitoring officer, is responsible for ensuring lawfulness and fairness in decision making. The Director of Resources as the appointed Section 151 Officer is responsible for ensuring lawfulness and financial probity and prudence in decision making. The Head of Internal Audit is responsible for providing assurance on internal controls, ensuring that there are adequate mechanisms in place for the reporting and investigation of fraud, and ensuring that the risk management framework is robust.

Whistle-blowing and complaints

Members and employees are positively encouraged to raise concerns regarding fraud or corruption via the Council's Whistleblowing Policy and Anti-fraud and Anti-corruption Strategy. The Audit Committee and the Standards Committee approved the policy and the strategy which advocates a zero tolerance on fraud. Internal Audit undertakes special investigations and works with the police, where necessary. The Head of Internal Audit maintains separate logs of all fraud investigations and whistleblowing. The Customer Charter sets out the standards of service that the Council is committed to providing to its customers. The Overview and Scrutiny Committee considers the effectiveness of the customer charter.

Development and training

To help identify staff training and development needs, the Council uses a PDR (Performance Development Review) process. Development needs are incorporated into a personal development plan. For members, there is a Member Development Strategy. The Strategy is monitored by a member development steering group. The Council also places significant emphasis on organisational development and the support for all staff within an overall framework of organisational value and behaviour.

Channels of communication

As a means of establishing clear channels of communication, the Council has produced Customer Engagement Strategy and a Communications Strategy. The internal and external communications service has previously been recognised nationally as being amongst the best.

Partnership governance

The Council has a document - Partnership Governance Principles – which sets out the principles for governance arrangements for public and private sector partnerships. The Council has also produced a Guide to Partnerships, which is considered best practice nationally. The Council places strong emphasis on managing the performance of key partnerships as illustrated through specific performance clinic work across, for example, the Environment Directorate, including in conjunction with its highways contractor, Amey.

REVIEW OF EFFECTIVENESS

Bedfordshire County Council is responsible for conducting a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the officers within the Authority who have responsibility for the development and maintenance of the governance environment, assurance work undertaken by Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates. The Head of Internal Audit has undertaken a review of the effectiveness of internal audit and a review of the effectiveness of the systems of internal control. Senior officers have signed the annual statements of responsibilities confirming that during the year they have:

- Ensured that there are arrangements in place for establishing directorate objectives and compliance with corporate priorities
 - Ensured compliance with the Council's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations)
 - Ensured arrangements for sound budgetary controls
 - Effectively monitored and managed performance
 - Reported to the appropriate member committees
 - Responded promptly to internal & external audits & inspections
 - Continuously managed business risks and service continuity arrangements
- Significant work has taken place to successfully put risk management into the heart of decision making, strategic planning and performance processes. The Council is now risk enabled and active management of risk is undertaken throughout the organisation.

During 2007, officers received a service control pack. The pack is a tool designed to assist officers in the understanding and management of internal controls in their service areas. It is not an exhaustive and/or all inclusive pack; however it does include the core business information and can be personalised to service area and needs. This pack is kept up to date by Directors and Assistant Directors. An electronic master copy is maintained by Internal Audit and Risk Management.

In 2007/2008 a member steering group was set up to carry out an annual governance review. The member steering group allowed a significant member input into the process and development of the Code of Corporate Governance and provided the appropriate challenge to existing arrangements providing the assurance necessary to complete the Annual Governance Statement.

During the course of the review our corporate governance framework was revised following the publication of "Delivering Good Governance in Local Government" by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in July 2007.

The member steering group led the development of the Code of Corporate Governance. It also undertook a gap analysis using the CIPFA/SOLACE framework.

During 2008/9 the Council's main focus has been highlighting and mitigating the risks relating to the local government restructuring in Bedfordshire, particularly the risks in disaggregating county services, through a high level Unitary Risk Register and Transitions Issues log.

Therefore this year we have taken a lighter touch approach to the preparation of the Annual Governance Statement and have not formed a Member Steering Group. However, key Members including the Leader of the Council, the Opposition Leaders and the Chairman of the Standards Committee were consulted in preparing the Annual Governance Statement.

During 2008/9 the processes for managing and monitoring performance were further embedded. The positive overall Use of Resources judgement for 2007/8 at Level 3 demonstrates the Authority's commitment to improved financial control and management of risks. A Level 4 assessment was achieved for the management of significant business risks and promoting external accountability in relation to financial reporting. The Use of Resources Assessment concluded that the Council is performing well in all of the five themes assessed and there had been particular improvements in Financial Reporting and Internal Control.

During 2008/9 additional controls have been introduced to ensure that there is a robust governance framework in place to address any additional risks that may arise during the close down the County Council. A three quarter year closure of accounts was undertaken at the end of December to ensure a smooth final closure of accounts and specific resources have been committed to this.

The review of the effectiveness of internal audit was undertaken by the Head of Internal Audit using the CIPFA matrix for assessing internal audit. It confirmed that the systems of internal audit operated in accordance with CIPFA's Code of Practice. This demonstrates that the previous improvement in the results of the managed audits has generally been maintained.

The CSCI Safeguarding Inspection was conducted in May 2008, and reported in September 2008. It found services to be adequate, and that prospects for improvement were uncertain. An Action Plan was drawn up to respond to the recommendations of the report, which is currently assessed as being on track for delivery. The two new Unitary Councils have agreed that they will refresh the Action Plan and continue the programme of improvement. CSCI will review progress in the autumn of 2009.

In December 2008 Ofsted released its Annual Performance Assessment of Children's Services. The assessment concluded that Bedfordshire County Council provides services that make a good contribution to outcomes for children and young people. It delivers services that overall are above the minimum requirements and which make an outstanding contribution to keeping children and young people safe. The management of children's services is good as is the capacity of the council to make further improvements.

SIGNIFICANT GOVERNANCE ISSUES

The review of systems of internal control disclosed that they were effective in 2008/09. During the year we have taken steps to address the matters identified in the 2007/8 Annual Governance Statement to further enhance our governance arrangements. We are satisfied that these steps have improved the overall governance in place. However the following issues remain of concern:

- To date only 42% of schools scheduled for assessment between 2006-07 and 2008-09 have met the Financial Management Standard in Schools (FMSiS). Problems have been encountered with many schools submitting their evidence portfolio for

assessment at the very end of each financial year (e.g. March 2009 for 2008-09) which has contributed to a backlog of assessments. A further issue has been non-submission of evidence by schools which results in an automatic fail, and a rescheduled deadline for assessment at a later date. Anticipated. A more rigorous approach to the scheduling of assessments in 2009-10 is required, and schools may require additional support from the relevant new unitaries.

- Although most of the payroll weaknesses that were identified during the 2007/8 managed audit reviews have been addressed the 2008/9 review has identified new concerns relating to access levels which have emerged since the SAP Payroll implementation.
- In addition the managed audit reviews for 2008/9 have identified concerns relating to IT security, including access and authorisations.

The above issues will need to be addressed by the new authorities. As a result, an action plan for 2009/10 has not been produced. It will be more appropriate for the new authorities to produce relevant action plans. In addition, we would encourage them to refer to the Unitary Risk Register and Transition Issues log to move forward on the risks and issues that have been identified. The budget and financial constraints of the new authorities will necessitate robust financial and performance management to ensure that the objectives of the organisations can be achieved.

CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2008/9. However, it should be noted that it has been produced prior to the production of the annual statement of accounts and is informed by Internal Audit managed audit assurance work which covers the period up to December 31st 2008. The statement may need to be revisited once fundamental systems assurance work has been undertaken for the final quarter of the year.

As mentioned before during 2008/9 our main focus has been highlighting and mitigating the risks relating to the local government restructuring in Bedfordshire, particularly the risks in disaggregating county services. The County Council is now focussing on passing on its services and staff to the two new unitary authorities to be created on 1 April 2009.

The Council's Corporate Overview and Scrutiny Committee undertook a review of the progress within the County Council in supporting the transition to two new unitary councils in Bedfordshire. The Committee found that since the date of the decision in the Judicial Review proceedings, which coincided with the Government's final decision, the County Council had proactively supported the setting up of the two new unitaries with the provision of information requested and active identification of key issues as well as the successful transfer of staff.

A peer review conducted by the Regional Improvement & Efficiency Partnership (RIEP) examined the role of the County Council in supporting the transition to two new unitaries. The preliminary findings are very positive, with the team highlighting the County Council having met all of its obligations and more, whilst continuing to deliver high quality services to the people of Bedfordshire.

In addition, the County Council willingly engaged with the Audit Commission with their Local Government Review (LGR) work in Bedfordshire, as we supported their analysis that the reorganisation represented a potential risk to public services. The Audit Commission acknowledged that Bedfordshire County Council had supported the LGR in a very thorough way.

Signed:.....
Leader of the Council and the Chief Executive on behalf of Bedfordshire County Council

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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

	Variance £,000
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)
Net Expenditure on Services - Total Variance	(587)

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>(0.05)</u>	<u>(0.53)</u>	<u>(0.48)</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>(480)</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
Expenditure					
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>
Funded by:					
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

Date2009

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	Discontinued Operations/Services	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	-
32,873	Net Cost of Services	106,054	60,078
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)		
40,349	Net Operating Expenditure		
(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		
20,462	(Surplus)/Deficit for the year		

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
45,976
(1,333)
4,213
2,338
172
362
(46)
(1,302)
1,754
52,134
(11,076)
-
(1,070)
(288)
(7,689)
32,011

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)
538	(Increase)/Reduction in the General Fund Balance	383
(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	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	<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)
	(5,408) Sub-total	(9,576)
	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	
	(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	
	2,431	2,498
	1,264 Sub-total	2,386
	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	
	(16,451) Housing Revenue Account balance	(22,565)
	- Voluntary revenue provision for capital financing	-
	671 Net transfer to or from earmarked reserves	(1,873)
	(15,780) Sub-total	(24,438)
	Net additional amount required to be credited to the General Fund balance for the year	
	(19,924)	(31,628)

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	Movements	<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
<u>(15,154)</u>	Total recognised (gains)/losses for the year	<u>58,098</u>
Total Net Worth		
(425,649)	As at 1st April	(440,803)
(440,803)	As at 31st March	(382,705)
<u>(15,154)</u>	Change in Net Worth	<u>58,098</u>

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.

2007/08 £'000	2008/09 £'000	2008/09 £'000
Fixed Assets		
1,033		1,001
391,114	351,042	
43,938	41,522	
1,405	1,319	
-	-	
273	568	
-		
477	63	
13,905	11,012	405,526
452,145		406,527
7		7
61		52
452,213		406,586
Current Assets		
19	22	
11,204	10,314	
17,881	12,613	
2	3	
310	908	23,860
481,629		430,446
Current Liabilities		
-	-	
(11,109)	(10,999)	
-	-	(10,999)
470,520		419,447
(1,938)		(1,938)
(743)		(518)
(2,620)		(2,346)
(24,416)		(31,940)
440,803		382,705
Financed by:		
22,110		2,672
425,773		399,910
18		11
6,601		3,073
(24,416)		(31,940)
200		200
5,671		3,789
1,310		927
3,510		4,039
26		24
440,803		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
	Revenue Activities - cash outflows		
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)	Revenue Activities net cash flow (Note 28)		(734)
	Servicing of Finance - cash outflows		
86	Interest paid		124
	Servicing of Finance - cash inflows		
(832)	Interest received		(1,467)
(746)	Net Servicing of Finance		(1,343)
	Capital Activities - cash outflows		
	Capital expenditure		
6,477	Purchase of Fixed Assets	8,139	
835	Intangible assets	<u>1,058</u>	9,197
	Capital Activities - cash inflows		
(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	Total Capital Activities		6,762
(2,084)	Net cash (inflow)/outflow before financing		4,685
	Management of Liquid Resources		
	Net Decrease in Short Term Deposits		
2,549	Net Decrease in Other Liquid Resources (Note 31)		(5,284)
	Financing - cash outflows		
-	Repayments of amounts borrowed		-
-	Premia Paid		-
	Financing - cash inflows		
(646)	New loans raised (Note 31)		-
1,903	Net cash (inflow)/outflow from financing		(5,284)
(181)	(Increase)/Decrease in cash (Note 30)		<u>(599)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Income & Expenditure Account

Exceptional Items - Local Government Reorganisation (LGR)

Exceptional Items are ones that are material in terms of the authority's overall expenditure and not expected to recur frequently or regularly. Exceptional items are shown on the face of the Income and Expenditure Account where they warrant a separate disclosure. As referred to below, Local Government Reorganisation costs have been treated as an exceptional item in 2008/09.

Discontinued Operations/Services

As this is the last year of operation of South Beds as a result of Local Government Reorganisation, all income and expenditure is shown in the Income and Expenditure Account as Discontinued Operations / Services.

Local Government Transition Costs- Implementation of Central Bedfordshire Council

During 2008/09, the following transaction costs were incurred in total in respect of the implementation of the new Central Bedfordshire Council

Expenditure	£'000
Employee Costs	6,096
Premises	24
Transport	12
Supplies & Services	5,994
TOTAL EXPENDITURE	12,126
TOTAL INCOME- Grants	(388)
TOTAL TRANSITIONAL COSTS 2008/09	11,738

In accordance with the Bedfordshire (Structural Changes) Order 2008, these costs have been apportioned to the three demised authorities that have formed the new council - Mid Bedfordshire District Council, South Bedfordshire District Council and Bedfordshire County Council. These authorities' 2008/09 precepts on the Central Bedfordshire area have been used as the basis of apportionment as shown below:

Authority	2008/09 Precept £m	%	Apportionment £'000
Mid Bedfordshire DC	5.493	4.70%	549
South Bedfordshire DC	6.864	5.80%	686
Bedfordshire CC	105.120	89.50%	10,503
Totals	117.477	100.00%	11,738

Assets to the value of £3.741 million were purchased and financed by Mid Bedfordshire District Council in preparation for the formation of Central Bedfordshire Council. These are included in the Mid Bedfordshire District Council's accounts as Assets Under Construction.

LGR Severance Costs

The financial impact of all severance and redundancy costs relating to LGR have been included in the 2008/09 accounts, as the decisions on redundancy and severance had been made prior to 31 March 2009. The severance costs include the cost of redundancy payments and the actuarial costs to be paid over to the Pension Fund by Central Bedfordshire Council. Redundancy costs have been initially funded by the authority employing the relevant staff and have been subsequently been 'pooled' into the allocation to authorities referred to above.

2. Trading Services

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other organisations or customer receipts.

Details of those units are as follows:

<u>2007/08</u> £	Markets	<u>2008/09</u> £
(100,031)	The Council operates two markets generating income from letting stalls and pitches - the trading objective is to maximise the surplus / minimise the deficit.	Turnover (88,090)
45,013		Expenditure 12,667
<u>(55,018)</u>		<u>(Surplus)/Deficit (75,423)</u>

<u>2007/08</u> £	Investment Properties	<u>2008/09</u> £
(1,060,517)	The Council operates a property portfolio which is very varied and includes town centre retail, offices and industrial estates. This involves the management of over 200 lettings - the trading objective is to maximise the surplus.	Turnover (1,075,920)
450,024		Expenditure 3,170,332
<u>(610,493)</u>		<u>(Surplus)/Deficit 2,094,412</u>
The deficit in 2008/09 is as a result of impairment costs of assets in excess of £3 million.		

<u>2007/08</u> £	Car Parks	<u>2008/09</u> £
(826,407)	The Council operates fifteen public off-street car parks - the trading objective is to break-even.	Turnover (879,345)
1,124,836		Expenditure 1,198,403
<u>298,429</u>		<u>(Surplus)/Deficit 319,058</u>

3. Section 137 (3) of the Local Government Act 1972

Section 137 (3) of the Local Government Act 1972 empowers a Local Authority to contribute to the funds of charities operating in the UK, and to not for profit bodies providing public services in the UK.

The actual expenditure incurred by this authority was:-	<u>2007/08</u> £	<u>2008/09</u> £
	66,598	72,580

4. Publicity Expenditure

Set out below, under the requirements of S.5(1) of the Local Government Act 1986, is the council's spending on publicity.

	<u>2007/08</u> £	<u>2008/09</u> £
Recruitment Advertising	142,590	79,879
General Advertising	93,535	39,071
Publicity and Promotion	14,540	2,117
Tourism	43,902	56,633
Press and Public Relations	230,840	212,839
	<u>525,407</u>	<u>390,539</u>

5. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function - the Council sets its charges in accordance with the LGA model scheme. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities. The expenditure and income in respect of this trading unit are incorporated into the Planning and Development Services section of the Consolidated Revenue Account.

Building Regulations Charging Account				
Total 2007/08 £		Chargeable 2008/09 £	Non-Chargeable 2008/09 £	Total 2008/09 £
	Expenditure			
352,182	Employee expenses	254,680	109,148	363,828
21,722	Transport	14,408	6,178	20,586
46,435	Supplies and services	28,584	20,883	49,467
-	Fund Management			-
148,300	Central & support service charges	54,216	29,230	83,446
568,639	Total Expenditure	351,888	165,439	517,327
	Income			
(374,153)	Building Reg Charges	(304,218)	-	(304,218)
(3,304)	Miscellaneous income	-	(1,589)	(1,589)
(377,457)	Total Income	(304,218)	(1,589)	(305,807)
191,182	Deficit/(Surplus) for Year	47,670	163,850	211,520

6. Transport Act 2000

The Bedfordshire Concessionary Fares scheme is funded jointly by Mid Bedfordshire District Council, South Bedfordshire District Council and Bedfordshire County Council. This scheme is in accordance with section 145 of the Transport Act 2000. Arrangements for the reimbursement of operators are made by the County Council.

Permits are issued free of charge and entitle the holder to free travel.

The actual expenditure incurred by this authority was:-		
	2007/08 £	2008/09 £
	1,008,981	758,908

7. Local Authority (Goods and Services) Act 1970

In 2008/09 the Council provided payroll services to Dunstable and Leighton Linslade Town Councils and some voluntary organisations within the District.

Payroll Services		
	2007/08 £	2008/09 £
Income	38,278	42,523

8. Members Allowances & Employee Remuneration

Member Allowances		
	2007/08 £	2008/09 £
The total amount of Members' Allowances paid	291,375	392,097

Member allowances paid in 2008/09 included the addition of increased responsibility allowances arising from Local Government Reorganisation and the operation of the Shadow Central Bedfordshire Council.

Statement of numbers of employees whose total annual remuneration exceeds £50,000		
Remuneration between £	Number of Employees	
	2007/08	2008/09
50,000 - 59,999	9	9
60,000 - 69,999	6	7
70,000 - 79,999	0	1
80,000 - 89,999	0	2
90,000 - 99,999	2	2
100,000 - 109,999	0	0
110,000 - 119,999	0	1
120,000 - 129,999	1	0
150,000 - 159,999	0	1
160,000 - 169,999	0	1
180,000 - 189,999	0	1
260,000 - 269,999	0	1
430,000 - 439,999	0	1

Remuneration includes salary, allowances chargeable to tax, redundancy payments and the money value of non cash benefits. A number of employees were made redundant during 2008/09 as a result of Local Government Reorganisation, hence the numbers in the table above have increased for 2008/09.

9. Related Parties

During the year material transactions with related parties, not disclosed elsewhere, arose as follows:

	<u>2007/08</u>		<u>2008/09</u>	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Town Councils				
Payroll Service Dunstable	21	-	25	-
Leighton Buzzard	16	-	18	-
Members of the Authority				
Payments to a firm operated by the family of a member.	-	7	-	12
Rental payment for an industrial unit from a firm run by a member.	4	-	4	-
Total transactions with related parties	41	7	47	12

10. Audit Fees

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Statutory Audit	113,904	148,245
Grant Certification	48,253	65,719
Inspection	6,490	-
	168,647	213,964

11. Commutation Adjustment

The commutation adjustment resulted from the Government commuting annual housing grants to local authorities in a one off payment back in 1992/1993. In order to equalise the effect on the General Fund it was necessary for an annual adjustment to be made from the Capital Adjustment Account to the Income and Expenditure Account. The transactions relating to the commutation adjustment are detailed below:

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Commutation Adjustment	(92,126)	(43,865)

12. Explanation of Statement of Movement on the General Fund Balance

The Income and Expenditure Account brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that authorities need to take into account when setting council tax. In order to give full presentation of the financial performance of the council during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation. The statement is presented as a primary statement following the Income and Expenditure Account.

The note detailing the individual elements of the Statement of Movement on the General Fund Balance immediately follows the statement for ease of reference.

13. Capital Expenditure and Financing

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Opening Capital Financing Requirement	904	1,642
<i>Capital Investment</i>		
Operational Assets	6,460	7,893
Non-operational Assets	37	45
Revenue Expenditure Funded from Capital under Statute	1,326	1,555
Other Items	96	0
<i>Sources of Finance</i>		
Capital Receipts	(1,667)	(4,960)
Government Grants and other contributions	(1,606)	(648)
Sums set aside from revenue (includes revenue financing and MRP)	(3,908)	(3,841)
Closing Capital Financing Requirement	1,642	1,686
<u>Explanation of Movement in year</u>		
Increase in the need to borrow (supported by Government financial assistance)	646	0
Commutation Adjustment	92	44
Increase/(decrease) in Capital Financing Requirement	738	44
The major items of capital expenditure during the year were:		<u>£'000</u>
(1) Renovation & Disabled Grants		561
(2) Housing Association Assistance - London Road		894
(3) ICT Infrastructure		494
(4) EDRMS		195
(5) Council Housing - General Enhancements		232
(6) Council Housing - Window Replacement		930
(7) Council Housing - Central Heating Replacement		1,333
(8) Council Housing - Rewiring		329
(9) Council Housing - Kitchens & Bathrooms		1,079
(10) Council Housing - Door entry systems		184
(11) Council Housing - Aids & Adaptations		300
(12) Council Housing - Capitalised Salaries		252
(13) Council Housing - Estate Improvements		200
(14) Council Housing - Roofing		214
(15) Council Housing - Structural repairs		159
(16) Council Housing - Asbestos Removal		152
(17) Council Housing - Bedsit Conversions		210
(18) Council Housing - Central Heating Communal		159
(19) Sandringham Drive - Innovation Works		100
(20) Purchase of 135 Grove Road, Houghton Regis		129
(21) Partnership of Beds District Councils		116

14. Revenue Expenditure Funded from Capital under Statute

Movements in the year were:-

	Balance 01-04-08 £'000	Expenditure in Year £'000	Written off in Year £'000	Balance 31/03/09 £'000
Improvement grants	-	561	561	-
Housing Associations	-	894	894	-
Other		100	100	-
Total before Government Grants	-	1,555	1,555	-
Government Grants				
-re Improvement grants	-	(258)	(258)	-
-other		(278)	(278)	-
	-	1,019	1,019	-

15. Capital Commitments

As at 31 March 2009 were:-

	£'000
Private Properties - Disabled facilities and renovation grants	209
Housing Association Assistance - London Road Re-development	825
Bedford Square, Houghton Regis - Refurbishment	446
Sandringham Drive - Innovation Works	900
	<u>2,380</u>

16. Fixed Assets

Fixed assets have been categorised according to the CIPFA capital accounting definitions. All leased assets are excluded from this analysis.

All fixed assets are recorded on an asset register. The list below is only those assets with an assigned value above £10,000.

Individual values are not given as this could give a potentially misleading impression of the values that could be realised on disposal. Valuations as required for capital accounting purposes (as reflected in the fixed assets summary to the balance sheet) are not likely to be the same as actual disposal receipts.

<u>2007/08</u>		<u>2008/09</u>
	Equipment	
700	Computer Equipment	700
103	C.C.T.V. installations in Dunstable, Leighton Buzzard and Houghton Regis	104
0	Recycling vehicles	1
89,020	Recycling bins	89,020
	Land and Buildings	
3	Leisure Centres	3
5,236	Council Dwellings	5,233
1	Miscellaneous Land Holdings	1
2	Women's Refuge	2
38	Shops	38
1	Land adjacent Multi Storey Car Park, Leighton Buzzard	1
1	District Offices, High Street North, Dunstable	1
1	47/47A High Street South, Dunstable	1
1	Old Town Hall, Leighton Buzzard	1
1	Depot, Tavistock Street, Dunstable	1
1	Old Ambulance Station, High Street North, Dunstable	1
1	Land, North Station Way, Dunstable	1
1	Rifle Range	1
2	Community Centres	2
1	Blackbarn Stables	1
3	Shopping Centres	3
3	Industrial Estates	3
1	The Long Car Park between Brewers Hill Road and French's Avenue	1
1	55 King Street, Dunstable	1
1	Land Vandyke Road, Leighton Buzzard	1
1	Creasey Park, Dunstable	1
5	Public Conveniences (3 closed)	5
11	Car Parks	11

Community Assets

Open spaces as at:
Oakley Green, Leighton Buzzard
Tiddenfoot Pit, Leighton Buzzard
The Heath, Leighton Buzzard
The Woodlands, Heath Court, Leighton Buzzard
Clipstone Open Space, Leighton Buzzard
Riverside Walk, Leighton Buzzard
Redwood Glade, Leighton Buzzard
Spoondell, Dunstable
Former Railway Line behind Frenchs Avenue, Dunstable
Green Lane, Dunstable
Land around Dunstable Leisure Centre, Dunstable
Parkside, Houghton Regis
Frenchs Avenue Tip
Studham Common

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31st March 2009 by the Property Services Manager, Peter Burt MRICS and the Council Dwellings, within the Housing Revenue Account, by the Council's consultants Wilks Head & Eve, Chartered Surveyors. The authority revalues the entire fixed assets portfolio annually. In addition, material changes are reflected as they occur. The value of Council Dwellings was reviewed by Wilks Head and Eve to reflect changes in property values, and reflects a valuation date of 31st March 2009.

The vehicles, plant and machinery value is determined by the purchase price and reduced by depreciation over 5 years.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Intangible Assets £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Valued at historic cost	351,042	41,522	1,319	1,001	-	568	11,012	-	63	406,527
Valued at current value in:-										
2007/08	391,114	43,938	1,406	1,033	-	273	13,905	-	477	452,146
2006/07	389,790	42,885	1,023	1,156	-	253	13,022	-	1,832	449,961
2005/06	353,461	26,359	1,206	966	-	233	12,859	-	-	395,084
2004/05	397,416	26,705	195	624	-	232	13,199	-	-	438,371
2003/04	367,637	17,768	574	-	1,109	809	10,758	-	-	398,655
2002/03	309,330	16,079	519	-	1,347	809	10,758	-	-	338,842
2001/02	287,044	14,580	237	-	1,271	809	10,059	-	-	314,000
	2,495,792	229,836	6,479	4,780	3,727	3,986	95,572	-	2,372	3,193,586

Movements in Fixed Assets during the year were:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Intangible Assets £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Certified valuation as at 31/03/08	391,114	43,953	2,437	2,362	237	273	13,905	-	507	454,788
Accumulated Depreciation	-	(15)	(1,031)	(1,329)	(237)	-	-	-	(30)	(2,642)
Net book value as at 31/03/08	391,114	43,938	1,406	1,033	-	273	13,905	-	477	452,146
Asset reclassification	-	(79)	-	-	-	445	(56)	-	(310)	-
Additions	6,104	425	442	620	148	125	45	-	-	7,909
Disposals	(277)	(134)	-	-	-	-	-	-	-	(411)
Revaluation gains	513	372	-	-	-	0	107	-	-	992
Impairments	(42,643)	(2,066)	-	-	(148)	(272)	(2,989)	-	(104)	(48,222)
Depreciation	(3,769)	(934)	(529)	(652)	-	(3)	-	-	-	(5,887)
Net book value as at 31/03/09	351,042	41,522	1,319	1,001	-	568	11,012	-	63	406,527

17. Intangible Assets

Movement in Intangible Assets:-

	Purchased Software Licences	Licences, Trademarks and Artistic Originals	Patents	Total
	£'000	£'000	£'000	£'000
Original cost	2,362	-	-	2,362
Amortisation at 01/04/08	(1,329)	-	-	(1,329)
Balance at 01/04/08	1,033	-	-	1,033
Expenditure in year	620	-	-	620
Revaluation	-	-	-	-
Written off to Revenue in year	(652)	-	-	(652)
Balance at 31/03/09	1,001	-	-	1,001

18. Operating leases

The Council uses equipment, vehicles and housing (for homelessness relief), financed under the terms of operating leases. The amount paid under these arrangements in 2008/09 was £273,922 (2007/08 £364,312). The Council was committed at 31 March 2009 to the following payments under operating leases, where these leases are due to expire in:-

	Equipment and Vehicles	Housing	Total
	£	£	£
2008/09	59,538	-	59,538
Next four years total	147,155	8,000	155,155
	<u>206,693</u>	<u>8,000</u>	<u>214,693</u>

Finance leases

The Council no longer has any finance leases.

19. Movement in Debtors

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Sundry Debtors	2,274	1,954
Government Departments	3,907	1,617
Other Local Authorities	1,524	2,480
Council Taxpayers	3,962	4,409
Business Ratepayers	682	1,569
Housing Tenants	1,059	860
Loans to Employees	170	130
Prepayments	440	147
	<u>14,018</u>	<u>13,166</u>
 Provision for Bad Debts		
Council Taxpayers	(896)	(1,009)
Business Ratepayers	(177)	(318)
Housing Tenants	(528)	(390)
Other	(1,213)	(1,135)
Total Bad Debt Provision	<u>(2,814)</u>	<u>(2,852)</u>
 Total	<u>11,204</u>	<u>10,314</u>

The value shown for debtors under current assets is shown after the deduction of a provision for bad debts. This provision is calculated with regard to the age of outstanding debts and is £2,852,140 for 2008/09 (2007/08 - £2,813,517)

20. Movement in Creditors

	2007/08 £'000	2008/09 £'000
Sundry Creditors	(5,028)	(6,049)
Government Departments	(2,599)	(2,573)
Other Local Authorities	(1,989)	(667)
Council Taxpayers	(766)	(778)
Business Ratepayers	(444)	(606)
Housing Tenants	(196)	(240)
Receipts in Advance	(87)	(86)
Total	(11,109)	(10,999)

21. Balances with Related Parties

In the accounts there are a number of creditors and debtors for related parties, these are detailed below.

	2007/08		2008/09	
	Net Creditor	Net Debtor	Net Creditor	Net Debtor
	£'000	£'000	£'000	£'000
Government Departments				
Communities & Local Government	-	1,781	629	-
Department of Work & Pensions	-	184	-	1,441
Revenue & Customs Income Tax	328	-	597	-
Revenue & Customs VAT	-	325	-	692
Department for Environment, Food & Rural affairs	85	-	187	-
 Bedfordshire County Council	665	-	531	-
Mid Bedfordshire District Council	-	-	-	948
 Town Councils				
Dunstable	-	240	-	304
Leighton Buzzard	-	190	-	206

22. Long Term Borrowing

Analysis of Loans by Lender	<u>31/03/08</u> £'000		<u>31/03/09</u> £'000	% Rate
Public Works Loans Board	1,938	4.00%	1,938	4.00%
Total Outstanding	1,938		1,938	
 Analysis of Loans repayable				
	<u>31/03/08</u> £'000	2008 % Rate	<u>31/03/09</u> £'000	2009 % Rate
3 to 4 years	646	4.05%	646	4.05%
In 10 years or more	1,292	4.00%	1,292	4.00%
	1,938		1,938	

23. Insurance Provision

The Insurance Provision was established in 2000, transferring from the Insurance Reserve the balance previously held there. This provides for incidents in the past for which claims against the council have not yet been finalised. The movement on this provision are set out in the table below.

24. Provisions

	Balance <u>01/04/08</u> £'000	Transfers to <u>Provisions</u> £'000	Transfers from <u>Provisions</u> £'000	Balance <u>31/03/09</u> £'000
Grove Theatre	(388)	(161)	342	(207)
Insurance	(108)	(183)	114	(177)
Service Charges	(70)	(107)	131	(46)
Blackburn Stables	(40)	-	-	(40)
Environmental Health Regional Co-ordinator	(87)	-	39	(48)
Downside Community Development	(50)	-	50	-
Total Provisions	(743)	(451)	676	(518)

Insurance money received in respect of Blackburn Stables fire is retained to utilise as a contribution towards carrying out restorative and development work to the site.

The construction of the new Grove Theatre started in August 2005. The revenue money set aside to fund this project has now been transferred to a provision. Whilst the main construction work was completed in March 2007, there are still some final works to be completed.

Other provisions included sums set aside for Service Charges within the Housing Revenue Account.

25. Analysis of Movement on Reserves

	Fixed Assets Revaluation Reserve £'000	Capital Adjustment Account £'000	Usable Capital Receipts £'000	Earmarked Reserves £'000	Government Grant Deferred £'000	General Revenue Account £'000	Collection Fund £'000	Housing Revenue Account £'000	Pension Reserve £'000	Total £'000
Balance at 1 April 2008	(22,110)	(425,773)	(6,601)	(5,871)	(2,620)	(1,310)	(26)	(3,510)	24,416	(443,405)
Net (Surplus)/Deficit for year				1,882	(100)					1,782
Additions										-
Unrealised (Gains)/Losses from revaluations of fixed assets	19,438	27,791								47,229
Net movement on Pension Reserve									7,524	7,524
Effects of disposals of fixed assets										
Cost or value of assets disposed of		6,989	9							6,998
Proceeds of disposals			(1,802)							(1,802)
Net (Surplus)/Deficit		6,989	(1,793)			383	2	(529)		5,052
Contribution to Housing capital receipt pool			361							361
Financing of fixed assets		(8,916)	4,960		374					(3,582)
Instalments		-	-		-					-
Balance at 31 March 2009	<u>(2,672)</u>	<u>(399,909)</u>	<u>(3,073)</u>	<u>(3,989)</u>	<u>(2,346)</u>	<u>(927)</u>	<u>(24)</u>	<u>(4,039)</u>	<u>31,940</u>	<u>(385,039)</u>

Capital Accounts

Revaluation Reserve

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Balance as at 1 April	0	(22,110)
Revaluation Gains	(23,949)	(992)
Impairment	1,839	20,430
Balance as at 31 March	<u>(22,110)</u>	<u>(2,672)</u>

Capital Adjustment Account

The Capital Adjustment Account has been created upon the implementation of the Revaluation Reserve. Its opening balance at 1 April 2008 is the sum of the closing balance as at 31 March 2008 on the Fixed Asset Restatement Reserve and the Capital Financing Account. It will contain a number of elements - principally the historic cost of acquiring, creating or enhancing fixed assets, over the life of those assets, the historical cost of deferred charges over the period that the council benefits from the expenditure, and it will be credited with resources set aside to finance capital expenditure. The closing balance on this account will show:

If a credit - that capital finance has been set aside at a faster rate than fixed assets have been consumed, and the council has a nominal surplus when comparing financing to consumption of resources;

If a debit - that fixed assets have been consumed in advance of their being financed, and the authority has a nominal deficit when comparing financing to consumption of resources.

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Balance as at 1 April	(447,205)	(425,773)
Capital Financing requirements	(5,666)	(8,917)
Commutation Adjustment	92	44
Depreciation	5,302	5,235
Intangible Assets Written Off	459	653
Deferred Grants Written Off	653	1,019
Government Grants deferred written off	(102)	(374)
Disposal of Fixed Assets	5,147	411
Impairment	15,547	27,791
Balance as at 31 March	<u>(425,773)</u>	<u>(399,911)</u>

Usable Capital Receipts Reserve

The current accounting code requires that a distinction is made between capital and revenue reserves. The Fixed Asset Restatement Account and Capital Financing Account cannot be called upon to support spending. The Usable Capital Receipts Reserve can be used for expenditure for capital purposes. The revenue reserves can be called upon to meet both revenue and capital expenditure.

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Balance as at 1 April	(5,154)	(6,601)
Received during year	(4,369)	(1,802)
Applied during year	1,667	4,960
Less Housing Receipts set aside for Pooling	1,255	361
Cost of disposal of assets	-	9
Balance as at 31 March	<u>(6,601)</u>	<u>(3,073)</u>

Earmarked Reserves

	Balance 01/04/08 £'000	Transfers To Reserve £'000	Transfers From Reserve £'000	Balance 31/03/09 £'000
Building Control - Surplus	(109)	-	48	(61)
Business Continuity	(50)	-	50	-
Dunstable Master Plan	(1,504)	(287)	-	(1,791)
Business Process - Re Eng HRA	(46)	-	-	(46)
Choice Based Lettings	(13)	-	-	(13)
Community Alarm Replacement	(160)	-	160	-
Community Development Meadow Way	(3)	-	3	-
Community Development Parkside	(4)	-	4	-
Community Development Rural	(9)	-	9	-
Concessionary Fares	(89)	-	89	-
Corporate Maintenance Strategy	(179)	-	131	(48)
Capacity and Change Management	(808)	(1,210)	2,018	-
Crime Prevention	(19)	-	19	-
Development Control	(50)	-	50	-
Heritage	(6)	-	6	-
Homelessness	(29)	-	29	-
Houghton Regis Windsor Drive	(50)	-	48	(2)
Housing Benefits	(460)	-	135	(325)
Housing Needs Assessment	(6)	-	-	(6)
I.C.T. Strategy	(23)	-	23	-
Joint Facility Strategy	(88)	(52)	55	(85)
Leighton Buzzard Town Centre	(87)	-	72	(15)
Local Development Framework	(379)	-	-	(379)
Local Strategic Partnership	(132)	(3)	44	(91)
Luton Airport Noise Cons.	(14)	-	4	(10)
Major Repairs Reserve	(200)	-	-	(200)
Grove Theatre	(50)	-	-	(50)
Old Fire Station	(10)	-	10	-
Planning Delivery Grant	(565)	(270)	378	(457)
Refuse/Recycling	(153)	-	99	(54)
Repairs & Renewals	(489)	(3)	167	(325)
Risk Management	(35)	-	35	-
Smoking Enforcement Grant	(22)	-	7	(15)
South Beds Womens Aid	(9)	-	9	-
Street Cleaning	(4)	-	4	-
Unfit and Vacant Housing	(7)	-	6	(1)
Voluntary Community Action	(10)	(5)	-	(15)
Total Earmarked Reserves	<u>(5,871)</u>	<u>(1,830)</u>	<u>3,712</u>	<u>(3,989)</u>

The earmarked reserves with a value over £100,000 are described below:

Dunstable Master Plan £1,791,671

This reserve will be used to redevelop the town centre of Dunstable.

Planning Delivery Grant £457,289

Government grant reserved to be used to maintain or enhance the Planning and Development Control Service.

Repairs and Renewals £325,091

The Repairs and Renewals Reserves are operated to meet expenditure incurred in repairing, maintaining, replacing and renewing plant and equipment belonging to the Council.

Local Development Framework £378,769

This reserve has been earmarked to fund the publication of the approved local development framework.

Major Repairs Reserve £200,000

This reserve is to cover any emergency repair work to our housing stock.

Housing Benefits £324,977

This reserve was established to provide monies for future fraud prevention initiatives, improved technology and variations in subsidy payable.

26. Analysis of net assets employed

	31/03/08 £'000	31/03/09 £'000
Collection Fund	1,995	93
General Revenue Account	47,811	31,169
Housing Revenue Account	390,997	351,443
	<u>440,803</u>	<u>382,705</u>

27. Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme for employees, administered by Bedfordshire County Council (Bedford Borough Council From 1 April 2009). This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the movement on the General Fund balance statement. The following transactions have been made in the Income & Expenditure account during the Year.

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Net Cost of Services		
Current Service Costs	(1,748,000)	(1,248,000)
Curtailments	(22,000)	(47,000)
Past Service Costs	-	(627,000)
Net Operating Expenditure		
Pension Interest Costs	(4,730,000)	(5,206,000)
Expected return on Pension assets	3,558,000	3,452,000
Amounts to be met from Government Grants and Local Taxpayers		
Net Movement on pension reserve	(2,942,000)	(3,676,000)
Actual amount charged against council tax for pensions in the year		
Employers contribution payable to Scheme	2,712,000	2,498,000

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:-

	<u>31/03/08</u>	<u>31/03/09</u>
	£'000	£'000
Estimated liabilities in scheme - funded	(70,047)	(68,758)
Estimated liabilities in scheme - unfunded	(5,651)	(4,972)
Estimated assets in scheme	51,282	41,790
Net liability	<u>(24,416)</u>	<u>(31,940)</u>

The liabilities show the underlying commitment that the authority has in the long run to pay retirement benefits. The total liability is now £31.9m. There are statutory arrangements for funding the deficit by varying (usually upwards) the employers contributions over the remaining working life of employees as assessed by the scheme actuary. It is this variation that must be taken into account when setting the councils budget for a particular year.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The county council fund has been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation as at 31 March 2009.

The projected service cost takes account of the removal of the Rule of 85 for service after 30 September 2006 for certain members as set out in the Local Government Pension Scheme (Amendment) Regulations 2006. The projected figures make an allowance for 50% of members to elect to exchange part of their LGPS pension for additional tax-free cash at retirement, as permitted from April 2007.

The main assumptions used in their calculations are:

	<u>31/03/08</u>	<u>31/03/09</u>
	p.a.	p.a.
Rate of inflation for retail prices	3.6%	3.1%
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions	3.6%	6.0%
Rate for discounting scheme liabilities	6.9%	6.9%

Breakdown of the expected return on assets by category

	<u>31/03/08</u>	<u>31/03/09</u>
	p.a.	p.a.
Equities	7.7%	7.0%
Bonds	5.7%	5.6%
Property	5.7%	4.9%
Cash	4.8%	4.0%

Assets in the Bedfordshire Fund are valued at fair value, principally market value for investments and consist of the following categories for South Bedfordshire:

Assets	Fair Value £'000	%	Expected Return %
Value as at 31.3.08			
Equities	28,829	56.2	7.8
Bonds	8,512	16.6	4.9
Property	5,001	9.8	5.8
Cash	8,940	17.4	4.9
Total	<u>51,282</u>	<u>100.0</u>	<u>6.8</u>
Value as at 31.3.09			
Equities	22,567	54.0	7.7
Bonds	8,776	21.0	5.7
Property	3,343	8.0	5.7
Cash	7,104	17.0	4.8
Total	<u>41,790</u>	<u>100.0</u>	<u>6.7</u>

Recognition in the Income & Expenditure Account

	<u>2008/09</u> £'000	<u>2008/09</u> % of pay	<u>2009/10</u> £'000	<u>2009/10</u> % of pay
Current Service Cost	1,748	19.0%	1,248	12.9%
Interest Cost	4,730	51.4%	5,206	53.8%
Expected Return on Employer Assets	(3,558)	(38.7%)	(3,452)	(35.7%)
Past Service Cost/(Gain)	-	0.0%	627	6.5%
Losses/(Gains) on Curtailments and Settlements	22	0.2%	47	0.5%
Total	<u>2,942</u>	<u>70.6%</u>	<u>3,676</u>	<u>73.7%</u>
Actual Return on Plan Assets	(392)		(9,851)	

The Service cost figures include an allowance for administration expenses of 0.4% of payroll

The Past Service Cost figure for this year includes £120,000 in respect of efficiency and other early retirements and £507,000 in respect of retrospective changes to member benefits that came into effect on 1st April 2008.

Reconciliation of defined benefit obligation

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Opening Defined Benefit Obligation	(88,100)	(75,698)
Current Service Cost	(1,748)	(1,248)
Interest Cost	(4,730)	(5,206)
Contributions by Members	(562)	(707)
Actuarial Losses / (Gains)	16,174	6,678
Past Service Costs / (Gains)	-	(627)
Losses / (Gains) on Curtailments	(22)	(47)
Estimated Unfunded Benefits Paid	292	397
Estimated Benefits Paid	<u>2,998</u>	<u>2,728</u>
	<u>(75,698)</u>	<u>(73,730)</u>

Reconciliation of fair value of employer assets

	<u>2008/09</u> £'000	<u>2009/10</u> £'000
Opening Fair Value of Employer Assets	52,300	51,282
Expected Return on Assets	3,558	3,452
Contributions by Members	562	707
Contributions by Employer	2,420	2,498
Contributions in respect of Unfunded Benefits	292	397
Actuarial Gains / (Losses)	(4,560)	(13,421)
Unfunded Benefits Paid	(292)	(397)
Benefits Paid	<u>(2,998)</u>	<u>(2,728)</u>
	<u>51,282</u>	<u>41,790</u>

History of Experiences Gains and Losses

	Year to 31/03/05 £'000	Year to 31/03/06 £'000	Year to 31/03/07 £'000	Year to 31/03/08 £'000	Year to 31/03/09 £'000
Fair Value of Employer Assets	39,600	48,400	52,300	51,282	41,790
Present Value of Defined Benefit Obligation	(71,700)	(88,900)	(88,100)	(75,698)	(73,730)
Surplus / (Deficit)	(32,100)	(40,500)	(35,800)	(24,416)	(31,940)
Experience Gains / (Losses) on Assets	1,300	5,500	400	(4,560)	(13,421)
Experience Gains / (Losses) on Liabilities	800	(5,500)	(500)	4,009	426

The figures set out above are provided by Bedfordshire County Council actuary's Hymans Robertson.

	Year to 31/03/05 £'000	Year to 31/03/06 £'000	Year to 31/03/07 £'000	Year to 31/03/08 £'000	Year to 31/03/09 £'000
Actuarial Gains and Losses	(8,800)	(9,200)	4,700	11,614	(6,743)
Increase/(Decrease) in irrecoverable Surplus from Membership					
Actuarial Gains / (Losses) recognised in STRGL	(8,800)	(9,200)	4,700	11,614	(6,743)
Cumulative Actuarial Gains and Losses	(8,800)	(18,000)	(13,300)	(1,686)	(8,429)

28. Cash Flow Reconciliation to the Income and Expenditure Account

This note gives a reconciliation between the surplus or deficit on the income and expenditure accounts of the General Fund, Housing Revenue Account and Collection Fund and the net cash flow from revenue activities.

2007/08 £'000	2008/09 £'000
TOTAL (SURPLUS) / DEFICIT ON ALL REVENUE ACCOUNTS	
20,462 Income and Expenditure Account (Surplus) / Deficit	32,011
(164) Collection Fund (Surplus) / Deficit	(147)
538 General fund movement on balance	383
1,486 Housing revenue account movement	(529)
NON CASH TRANSACTIONS	
(459) Amortisation charges	(653)
(16,912) Depreciation and impairment charges	(29,473)
102 Government Grants Deferred amortised matching depreciation	374
(2,805) Profit/Loss on disposal of fixed assets	1,332
(653) Write down of deferred charges to be financed from capital resources	(1,019)
130 Unattached Capital Receipts	46
1 Movement in stocks	(3)
(46) Movement in Provision for Bad Debts	(38)
(678) Movement in provisions and earmarked reserves	1,873
(92) Commutation Adjustment	(44)
83 Net movement in revenue debtors and creditors	(1,391)
(3,550) Contribution to Major Repairs allowance	(3,553)
450 Revenue contribution to capital	294
(1,255) Housing capital receipt pooling	(362)
(230) Pension costs - difference between actual payments to Fund and the FRS17 requirements	(1,178)
ITEMS CLASSIFIED IN ANOTHER CATEGORY IN THE CASH FLOW STATEMENT	
745 Net interest received	1,343
(2,847) NET CASH FLOW FROM REVENUE ACTIVITIES	(734)

29. Analysis of Government Grants and Subsidies

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Council Tax benefits	7,029	6,964
Rent allowances	9,504	10,050
Rent rebates	11,867	11,808
Total grants re: benefits	<u>28,400</u>	<u>28,822</u>
Planning Delivery Grant	458	270
Benefit Administration	873	736
Local Authority Business Growth Incentive	90	1,056
Concessionary Fares	58	310
Culture, Media & Sport	-	35
Other Grants and Subsidies	<u>1,479</u>	<u>2,407</u>
Revenue Support Grant	1,231	1,070
Total all grants and subsidies	<u>31,110</u>	<u>32,299</u>

30. Movement in Cash and Cash Equivalents

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Cash in hand	(1)	1
Cash at bank	182	598
Movement in Cash and cash equivalents	<u>181</u>	<u>599</u>

31. Movement in Financing and Management of Liquid Resources

	Balance <u>01/04/08</u> £'000	Balance <u>31/03/09</u> £'000	Movement in year £'000
Financing			
Borrowing - PWLB & Short Term Loans	<u>(1,938)</u>	<u>(1,938)</u>	-
Liquid Resources			
Total Short Term investments	17,881	12,581	(5,300)
Less accrued interest at year end	<u>(214)</u>	<u>(198)</u>	16
	17,667	12,383	(5,284)

The liquid resources included in the Cash Flow statement consists of the short term investments made by the authority with approved financial institutions, in accordance with the Treasury Management Policy.

32. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another, and therefore covers both financial assets and liabilities. It covers from the most straightforward, such as creditors and debtors, to the most complex investment and borrowing products. South Beds has identified the following as financial instruments for disclosure under the Code:

Investments and borrowings

Loans to employees for car purchase, Leighton Linlade Town Council and housing mortgages (soft loans)

Financial guarantees

Investments and borrowings

As at 31 March 2009 the council's investments were entirely of a short-term nature. The fact that the short term investments are at a fixed rate, means that there is no material difference between the carrying value and the fair value of these investments as at the balance sheet date. Therefore no fair value adjustment is required. As at 31 March 2009, the Council had short term investments of £12.581 million, compared with £17.881 million as at 31 March 2008.

When looking at investments three main areas of risk are taken into consideration. These are:

Credit Risk – the possibility that the counterparties might fail to pay amounts to the authority;

Liquidity Risk – the possibility that the authority might not have funds available to meet its commitments to make payments;

Market Risk – the possibility that the financial risk might rise for the authority as a result of changes in such measures as interest rates and stock market movements.

The council undertakes its investment activities in accordance with its annual Treasury Management Strategy. This sets out the specific rules that must be followed in this area, including the treasury objectives and approach to risk management.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. Deposits are not made with banks and financial institutions unless they are rated as follows:

Banks and Building Societies (term deposits)	Long term Fitch rating A or better Short term Fitch rating F1 or better Support Fitch rating 3 or better Maximum investment £1.5m or 15% of the total cash investments at any one time (whichever is the highest) for a maximum period of 1 year where the Support Rating is 1 or 2. Where the Support Rating is 3 the maximum duration is reduced to 2 months.
Bonds and UK Government Gilts	Only on advice from the council's investment advisors

In the light of conditions in the financial markets, the Council's Investment Strategy was further tightened during the course of the year. More details were included in the Treasury Management Review 2008/09 reported to Central Bedfordshire Executive in July 2009.

The risk arising from customers is assessed annually and appropriate bad debt provisions are provided, taking into account the level of outstanding amounts, past collection rates, experience and any other relevant factors.

The following table summarises the councils potential maximum exposure to credit risk, based on experience over the last five years, adjusted to reflect current market conditions.

2007/08		Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2009	Estimated maximum exposure to default and uncollectability
		£'000 A	% B	% C	£'000 AxC
17,881	Short term deposits	12,581	0	0	0
7,977	Customers	8,792	0.85	1.27	112
25,858	Totals	21,373			112

There has been no experience of default from any of the financial institutions with which the council has been associated in the last 5 years. No credit limits were exceeded during 2008/09 and the council does not expect any losses from any of its counterparties in relation to current deposits.

In respect of customers the overall average historical experience of default is low, at 0.85%. The customer base for the purpose of ascertaining risk is mainly comprised of council tax payers, business ratepayers, housing benefit overpayments, and housing tenants together with other sundry debtors.

For this calculation a very prudent view has been taken concerning current economic conditions. These conditions could feed through into a greater level of default, particularly amongst businesses, and could subsequently lead to reduced collection rates, especially for business rates. Consequently, whilst this is difficult to quantify, the calculation for historical experience and default has been adjusted by an additional 50%.

Liquidity Risk

As the council has ready access to borrowings from the Public Works Loans Board there is no significant risk that it will be unable to raise finance to meet its commitments to pay for goods and services, and to pay its employees. All borrowing is undertaken in accordance with the annual Treasury Management Strategy, and has been restricted in recent years only to that classified as supported borrowing for Housing Revenue Account purposes. The fair value analysis of this debt is as follows:

	31 March 2008	Average Interest Rate	Fair value as at 31 March 2009
	£'000	%	£'000
PWLB	1,938	4.02	1,955

As there is no material difference between the carrying amount and the fair value amount as at the balance sheet date, no adjustment is required in respect of the fair value disclosure requirements.

All trade and other payables are due to be paid in less than one year.

Market Risk - interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the income and expenditure account would rise;
- Borrowings at fixed rates – the fair value of the liabilities will fall;
- Investments at variable rates – the interest income credited to the income and expenditure account will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the income and expenditure account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the income and expenditure account and affect the general fund balance pound for pound.

The council has a Treasury Management Strategy, reviewed annually, which includes policies for managing interest rate risks. The policy is to aim to keep an upper limit of 100% of its investments in variable rate investments and an upper limit of 100% of its investments in fixed rate instruments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be arranged early in the cycle to limit exposure to falling returns.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be identified and managed. The analysis will also advise on the need for, and nature of, any borrowing.

For 2008/09, if interest rates had been 1% higher, with all other variables held constant, the financial effect would have been:

Increase in interest payable on moneys borrowed

There was no further borrowing in 2008/09 so borrowings in previous years would not be affected, as these are all at fixed rates.

Increase in interest receivable on investments

The council only lent moneys on a short-term basis. The rate of interest achieved for each investment is set at the time the investment is made. For 2008/09 the average rate of interest achieved was 3.79% and yielded £1.239k of investment interest. A 1% additional yield for 2008/09 would have been £269k. Of this amount, £144k would have been allocated to the HRA.

Increase in government grant receivable for financing costs:

The only grant affected by borrowing is Housing Subsidy payable to the Housing Revenue Account in respect of supported borrowing. However this grant is unaffected by HRA borrowing until such time as the HRA capital financing requirement becomes positive – until then no subsidy is payable towards capital financing costs

Impact on income and expenditure account in 2008/09:

	£'000
Borrowing impact - GRA only	0
Offsetting subsidy - HRA only	0
Investment impact - total additional interest	(269)
Share of investment impact transferred to the HRA	144
Impact on General Fund balance at 31 March 2008	(125)

Decrease in fair value of fixed rate investment assets

Because all investments for 2008/09 were of a short-term nature, a 1% variation in interest rates has no material effect on the fair value of investment values as at 31 March 2009.

Impact on STRGL:

As a consequence there is no impact on the STRGL

Decrease in fair value of fixed rate borrowings liabilities (No impact on income and expenditure account and STRGL):

The total of fixed rate borrowings is £1.938 million. The impact of a 1% increase in fair value terms is therefore immaterial.

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

Market Risk - price risk

The council does not invest in equity shares and so does not have any exposure to price risk.

Market risk - foreign exchange risk

The council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. However, the council had previously invested with the Bank of Credit and Commerce International (BCCI), which subsequently went into liquidation in 1991. The council does still receive dividend payments from the liquidators of BCCI which are payable in US dollars, and so currency fluctuations between the UK pound and the US dollar may impact on the amount received.

Loans to employees for car purchase

As at 31 March 2009 the total value outstanding was £130k. The rate of interest chargeable for such loans varies depending on the individual employee's conditions of service and is between 0% and 1.9%. The average rate of interest charged for 2008/09 was 0.7%. Due to the small scale of this activity no determination of fair value is required. The sum outstanding is contained within the overall value for debtors on the balance sheet.

Other loans

These loans are assessed each year based upon the market rates prevailing during the year. Thus no fair value calculation is required.

Financial Guarantees

The council has no financial guarantees currently in force.

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

<u>HOUSING REVENUE ACCOUNT</u>			
<u>2007/08</u>	Note	<u>2008/09</u>	
£'000		£'000	£'000
<u>INCOME</u>			
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
21,135 TOTAL INCOME			<u>21,784</u>
<u>EXPENDITURE</u>			
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
35,412 TOTAL EXPENDITURE			<u>45,024</u>
Net cost of HRA services as included in the whole authority income and expenditure account			
14,278			<u>23,240</u>
184 HRA Share of Corporate and Democratic Core			128
14,462 NET COST OF HRA SERVICES			<u>23,368</u>
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
1,989 TOTAL APPROPRIATIONS			(804)
16,451 DEFICIT/(SURPLUS) FOR THE YEAR			<u>22,564</u>

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) Balance brought forward		(3,509)
(3,509) Balance carried forward		(4,038)

NOTE TO THE STATEMENT OF THE MOVEMENT OF THE HRA BALANCE

<u>2007/08</u> £'000	<u>2008/09</u> £'000 £'000	
Items included in HRA I&E account but excluded from movement on the HRA balance for the year		
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)
(17,837)		(22,877)
Items not included in the HRA I & E account but included in the movement on HRA balance for the year		
(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		
(17,936) HRA Balance for the year		(23,093)

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	(200)	(200)

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	-	-
	61	27

<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	-
	4,727	6,073

<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	-	-
	2	64

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
	2,069	528

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
Sub-total	(78)	(165)
Pension Interest Costs	547	521
Expected Return on Assets	(411)	(346)
Sub-total	136	175
Appropriation from Pension Fund	(58)	(10)

<u>COLLECTION FUND REVENUE ACCOUNT</u>		
<u>2007/08</u> £'000		<u>2008/09</u> £'000
Income		
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
Expenditure		
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
(204)	(Surplus)/Deficit for Year	17
<u>Collection Fund Revenue Account Balance</u>		
40	Balance at beginning of year	(164)
(204)	(Surplus)/Deficit for Year	17
(164)	Balance at end of year (Note 4)	(147)

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.

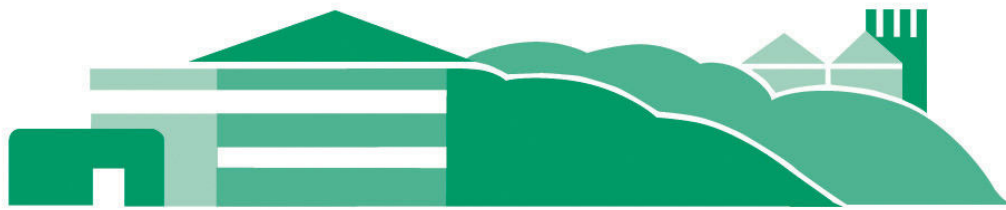
The Director of Corporate Resources:

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

STATEMENT OF ACCOUNTS

2008/2009



MID ♦ BEDS
DISTRICT COUNCIL

MID BEDS DISTRICT COUNCIL

FINANCIAL YEAR 2008/2009

I confirm that these Accounts were approved by the Central Bedfordshire Council Audit Committee at the meeting held on 27th July 2009.

Signed on behalf of Central Bedfordshire Council

David Lawrence
Chairman of the Audit Committee

Clive Heaphy, CPFA
Director of Corporate Resources
Section 151 Officer

Date:

MID BEDS DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2008/2009

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1. 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.

This is the last year of operation of the Council. From 1 April 2009, Mid Beds has become part of the new Central Bedfordshire Council which covers the areas previously administered by Mid and South Beds. The implementation of the new authority has a number of implications within the Statement of Accounts, which are referred to throughout this document.

In particular, Mid Beds performed a lead 'stewardship' role in terms of incurring, controlling, and accounting for the expenditure associated with the implementation of the new authority. This has meant that the levels of creditors and debtors in Mid Beds' accounts are higher than would be the case in a normal year of operation due to a higher level of transactions.

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

The Income and Expenditure Account (16)

This Account is a summary of the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

It shows the income and expenditure for all the Council's services and various other items charged or credited to the Council's General Fund. It also illustrates how the net cost of services has been funded from government grants and income from local taxpayers.

Statement of Movement on the General Fund Balance (16)

This statement reconciles the Income and Expenditure Account with the General Fund Balance (which shows whether the Council was within the approved budget for the year).

The Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

The Balance Sheet (page 18)

This statement shows the Council's financial position at the year-end. It includes the balances and reserves of the Council, the fixed and net current assets employed in its operations, together with summarised information on the items contained in it.

The Balance Sheet summarises in its top half all of the assets that the Council owns and the liabilities that it owes to others. The bottom half sets out how the net assets of the Council are allocated between usable resources, resources that have been set aside to finance capital expenditure, unrealised gains from increases in asset values and reserves needed to manage the complexities of local authority accounting.

The Cash Flow Statement (19)

This statement summarises the inflows and outflows of cash arising from external transactions with third parties for both capital and revenue purposes. Internal transfers are thus excluded from this statement.

The Movement on Reserves (47)

This statement brings together all the movements in the Council's reserves during the financial year.

The Collection Fund (59)

This account reflects the requirements to maintain a separate account for Council Tax and Business Rates transactions.

It shows the transactions relating to the collection of Council Tax and Non Domestic Rates. It shows how this money is then distributed between Authorities providing services to people and businesses within the County.

In addition to the above, the figures are supported by a signed copy of Accounting Policies, which is set out later within this document, and by various notes appended to the accounts. **The Annual Governance Statement** is included on pages 63 to 79 of this document. The **Audit Report** is included on pages 74 to 76.

Local Government Reorganisation (LGR) Transition Costs

The Statement of Accounts of Mid Beds contain expenditure incurred during 2008/09 relating to Local Government Reorganisation in the implementation of the new Central Bedfordshire Council. This expenditure has been incurred in advance of vesting day and includes expenditure on ICT systems, communications, staffing, etc.

During the year, expenditure was primarily incurred and controlled by Mid Bedfordshire District Council. At year end, all costs relating to transition and the implementation of Central Bedfordshire Council have been allocated to Bedfordshire County Council, Mid Beds, and South Beds, in proportion to each authority's 2008/09 precept. A significant proportion of the costs relate to severance.

LGR Severance Costs

The financial impact of all severance and redundancy costs relating to LGR have been included in the 2008/09 accounts, as the decisions on redundancy and severance had been made prior to 31 March 2009. The severance costs include the cost of redundancy payments and the actuarial costs to be paid over to the Pension Fund by Central Bedfordshire Council. Redundancy costs have initially been funded by the authority employing the relevant staff and have subsequently been 'pooled' into the allocation to authorities referred to above.

2.1 Original 2008/09 Budget Comparison to Actual Outturn

The Council approved the original revenue budget for 2008/09 in March 2008 and the major components of this are set down below, together with a summary of actual income and expenditure to show how this affected the Council's overall financial position.

	Budget	Actual	Variance
	£'000	£'000	£'000
Gross Expenditure:			
Services (exc. Benefits)	29,035	27,653	(1,382)
Benefits (inc. Admin)	<u>25,235</u>	<u>26,229</u>	<u>994</u>
Total	54,270	53,882	(388)
Gross Income:			
Services (exc. Benefits)	(3,408)	(4,128)	(720)
Benefits (inc. Admin)	<u>(24,356)</u>	<u>(25,942)</u>	<u>(1,586)</u>
Total	(27,764)	30,070	
Net Expenditure prior to adjustments	26,506	23,812	(2,694)
Less			
FRS 17 accounting entries (pensions)	(1,116)	(1,467)	(351)
Capital accounting adjustments	(8,958)	(6,412)	2,546
Employers Contributions payable to the Pensions Fund	1,299	1,484	185
Net expenditure on General Fund services	17,731	17,417	(314)
Net Contribution to/(from) reserves	(486)	1,334	1,820
Miscellaneous Adjustments/BCCI	0	(37)	(37)
Interest received	<u>(2,910)</u>	<u>(3,005)</u>	<u>(95)</u>
Parish precepts	3,585	3,585	0
General Fund surplus 2008/09	<u>0</u>	<u>(367)</u>	<u>(367)</u>
Total Expenditure	<u>17,920</u>	<u>18,927</u>	<u>1,007</u>
Income from:			
Collection Fund (Council Tax share)	(9,078)	(9,078)	0
Revenue Support Grant	(993)	(993)	0
National Non-Domestic Rates	(7,131)	(7,131)	0
Other Grants	(724)	(1,469)	(745)
Collection Fund Deficit (Council's share)	6	6	0
Business Growth Incentive Grant	<u>0</u>	<u>(262)</u>	<u>(262)</u>
Total Income	(17,920)	(18,927)	(1007)

3. Council Tax

3.1 In respect of the Council Tax set for 2008/09, the following analysis details how the Average Band D Council Tax for this area was made up.

	Average Band D Council Tax	Percentage Relating to each Body	Average for Shire districts Comparison	Percentage Relating to each Body
Authority	£	%	£	%
Mid Beds.	109.23	7	157.80	11
Town / Parish – Average	71.29	5	29.65	2
Bedfordshire County Council	1,123.47	74	1,045.10	73
Bedfordshire Police Authority	135.28	9	151.89	11
Bedfordshire and Luton Combined Fire Authority	78.84	5	39.04	3
Total	1,518.11	100.0	1,423.48	100.0
Source: CIPFA Statistics				

3.2 Comparative Council Tax levels for District Council services (per CIPFA statistics) show that the Council maintained a Council Tax requirement below the national average for District services.

4. Investment Income

This represents the income earned from investing the Council's revenue and capital funds in accordance with the approved Investment Strategy for the authority.

5. General Fund Working Balance / Earmarked Reserves

At 31 March 2009 the working balance on the General Fund stood at £3.1m and the balance on Earmarked Reserves was £5.8m.

6. Pensions

The deficit on the pension fund, for FRS 17 reporting purposes, stood at around £19.4m at 31 March 2009, compared with a deficit of around £12.6m at 31 March 2008. Full details can be found in note 16, page 27.

7. Capital Expenditure and Resources

7.1 During the year the Council spent £8,135,756 on capital projects including expenditure on Social Housing Grant Schemes.

7.2 With the Council being debt-free, it is permitted to use those receipts it would normally have to set aside for the repayment of debt. The Central Bedfordshire Council Executive in July 2009 approved the set aside of £23 million of Mid Beds usable capital receipts in order to optimise the opening Capital Financing Requirement and Minimum Revenue Provision position of the new authority. Consequently, at 31 March 2009 the balance of usable capital receipts that were available to finance capital expenditure was £28.8m.

8. Borrowing

The Council did not undertake any long-term borrowing during the year. The Council has an overdraft facility of £0.5m to cover any temporary cash shortfalls that may occur during the year.

9. Investments

As at 31 March 2009 the Council had investments amounting to over £33m, that were managed as follows:

<u>External Fund Managers</u>	£'000
Investec Asset Management Ltd	5,675
Lime Property trust	<u>4,374</u>
	10,049
Internally Managed	<u>23,508</u>
	<u>33,557</u>

These amounts are surplus revenue and capital funds, which are invested in accordance with the approved investment strategy for the authority and generate significant investment income that supports keeping the Council Tax levied by the Council at a low level.

10. Overall Financial Position - Summary

The Council's financial position remained stable and there are sufficient reserves available to ensure all known liabilities arising from the authority of Mid Beds in the new Central Bedfordshire Council and potential contingencies can be covered without significant impact on local taxpayers.

11. Further Information

Further information on these accounts can be obtained by contacting Matt Bowmer at Priory House, Monks Walk, Chicksands, Shefford, SG17 5TQ. He can be contacted by telephone on 0300 300 8000, or via e-mail matt.bowmer@centralbedfordshire.gov.uk.

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. For the 2008/2009 accounts, the inspection period was 27 July to 21 August 2009 and the dates were advertised in the local press.

12. Certification of Responsible Finance Officer

I hereby certify that the statement of accounts present fairly the financial position of the Authority at the accounting date and its income and expenditure for the financial year ending 31 March 2009.

Clive Heaphy, CPFA
Director of Corporate Resources
Authorised for issue on 22 July 2009

STATEMENT OF ACCOUNTING POLICIES

1. General

- 1.1 The accounts have been prepared in accordance with the latest Code of Practice on Local Authority Accounting 2008, in the United Kingdom: A Statement of Recommended Practice, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.2 Mid 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.

2 Accruals of Income and Expenditure

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

- (a) Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services. However as a result of the LGR process and the discontinuing of Mid Beds operations at 31 March 2009, the first quarter of 2009/10 rental income from property which would have ordinarily been accounted for in 2008/09 accounts has been accounted for in 2009/10 by Central Bedfordshire Council.
- (b) Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- (c) Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest date for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- (d) Where income and expenditure has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Reserves

- 3.1 The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.
- 3.2 Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent

4. Government Grants and Contributions (Revenue)

- 4.1 Whether paid on account, by instalments, or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.
- 4.2 Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general revenue expenditure (e.g. Revenue Support Grant, Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

5. Retirement Benefits

- 5.1 Employees of the Council have the opportunity to become members of the Local Government Pension Scheme administered by Bedfordshire County Council. The scheme provides defined benefits to members.
- 5.2 The liabilities of the scheme attributable to the Council are included in the Balance Sheet on actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates employee turnover rates, etc, and projections of projected earnings for current employees.
- 5.3 Liabilities are discounted to their value at current prices, using a discount rate of 3.3%
- 5.4 The assets of the pension fund attributable to the council are included in the Balance sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- 5.5 The change in the net pensions liability is analysed into seven components:
 - (a) Current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - (b) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - (c) Interest cost – the expected increase in the present value of

liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

- (d) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- (e) Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service of accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

6. Tangible Fixed Assets

6.1 Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

6.2 Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

6.3 Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet, using the following measurement bases:

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Chartered Surveyors (RICS).

	Basis of valuation	Depreciation	Asset Lives
Other land and buildings	Open market value for existing use or depreciated replacement cost	Straight line	15-50 years
Vehicles plant and equipment	Historical cost	Straight line	3-10 years
Non operational assets	Open market value	N/A	N/A
Infrastructure	Historical Cost	Straight Line	14-30 years

Revaluation of these assets is on a quinquennial basis undertaken on a rolling programme, including revaluations as required if the Council becomes aware of factors indicating a change in valuation. Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset.

Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value but as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

6.4 **Impairment**

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Where attributable to a general decline in prices - the loss is recognised in the Revaluation Reserve but only to the extent that this loss reverses gains attributable to the asset now being impaired. Where the impairment recognised exceeds the balance of revaluation gains attributable to the asset now being impaired, historical gains are removed from the revaluation reserve and the excess of impairment over historical gains is recognised in the Income and Expenditure Account for the year of account.

6.5 **Disposals**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Amounts in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the usable Capital Receipts Reserve and can then be used in accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 for new capital investment, or to set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

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

6.6 Depreciation

Depreciation is provided for on all assets with a determinable finite life, except for investment properties, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property, as estimated by an authorised valuer
- Vehicles, plant and equipment and Infrastructure – straight line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Community assets and non operational assets – no depreciation is provided on these classes of assets.

Grants and Contributions

6.7 Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the government grants deferred account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

7 Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations.

8. Revenue Expenditure Funded from Capital under Statute

8.1 Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

9. Capital Receipts

9.1 Local Authorities are required by the Local Government and Housing Act 1989 to split capital receipts (from the sale of assets), between two accounts:

- (a) Usable Capital Receipts, which can be used to finance capital expenditure.
- (b) Capital Adjustment Account, which can be used to set aside receipts to finance capital investment.

9.2 The Council has been debt-free since 1994; and so it can effectively use both of the above accounts to fund Capital Expenditure.

10. Debtors and Creditors

10.1 The accounts are prepared on an accruals basis, in accordance with the Accounting Code of Practice. Sums due to or from the Council relating to the accounting period are included whether or not the cash has actually been received or paid in the year. The sums are reflected in the debtors and creditors held on the Balance Sheet at the year-end.

10.2 An exception to the principle above relates to charges from utility companies (and other periodic payments), or income charged or credited to the accounts when paid or received rather than being apportioned between financial years. This policy is consistently applied each year and thus does not have a material impact on the accounts.

11. Provision for Bad Debts

11.1 Provisions are made for possible irrecoverable debts, which are reviewed annually, and are adjusted according to the age profile of the debts.

12. Stocks and Stores

12.1 These are valued at current cost price and stocks relate to postages. Minor stocks, e.g. stationery, are excluded from the valuation.

13. Support Service Allocations

13.1 In accordance with the principles of Best Value Accounting Code of Practice, the Council's support services are fully allocated to all services. Allocations have been made on the most appropriate basis, e.g. administrative buildings on the basis of floor area occupied, computing services on the basis of use of facilities, personnel services on the number of staff employed and legal services on time estimates, etc.

13.2 The cost of Democratic Representation and Management and Corporate Management have been maintained separately in the Council's General Fund accounts, and are not allocated further in accordance with the Best Value Accounting Code of Practice.

14. Pension Costs

14.1 The pension costs shown in the income and expenditure account are in respect of the Council's employees, as calculated for FRS 17 purposes, with the actual pension costs shown in the Statement of Movement on the General Fund Balance.

14.2 The employer's contribution rates have been determined in accordance with the relevant Government Regulations by a professionally qualified

15. Financial Assets

15.1 Financial Assets are classified into two types:

loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

15.2 Loans and Receivables

Loans and receivables are initially measured at fair value and carried at amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are debited/credited to the Income and Expenditure Account.

15.3 Available for sale assets

Investments are measured at Fair Value, and movements are taken to the Available for Sale Investment Reserve, and transferred to the Income and Expenditure account on disposal. Any unrealised gains/losses are to be accounted for in the Available for Sale Investment Reserve, and taken to the Income and Expenditure Account on disposal. Realised gains and losses are taken directly to the Income and Expenditure Account, or capital receipts if relating to capital investment.

Investments are shown in the Balance Sheet at fair value as at 31 March 2009. Investec and the Lime Fund's fair values are determined by quoted market price. Internal investments are included in the Balance Sheet at the aggregated principal values invested with each institution. Details can be seen in the notes to the Balance Sheet on page 36.

16. Interest

16.1 Interest paid and received is fully accrued, and is charged and credited centrally.

16.2 The balances of all the Council's accounts are amalgamated and invested on a daily basis and credited to small balances with the majority

17. Leases

17.1 The Council has entered into a number of leases mainly for vehicles and equipment. These are all operating leases, whereby the lease rentals are charged to the appropriate service in the Income and Expenditure Account when the expenditure is incurred, on an accruals basis.

18. Best Value Accounting

18.1 In preparing the Income and Expenditure Account for 2008/09, the Authority has used the classification prescribed in the Best Value Accounting Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

19. Financial Reporting Standard 17 (FRS 17)

19.1 In accordance with statutory requirements, the Statement of Accounts makes disclosures in relation to assessed pension fund liabilities (FRS 17). These are reflected on page 26 (note 15).

19.2 The deficit on the pension reserve at the 31 March 2009 was £19.4m, with the total net worth of the organisation being £50.6m. Therefore, the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 27.7%. (16.2% in 2007/08).

20. Contingent Assets and Liabilities

20.1 The Council has two contingent Assets to disclose in respect of two voluntary disclosures of VAT overpaid.

20.2 The first disclosure relates to VAT overpaid on leisure income during the period 1 January 1990 to 31 March 1994 and amounts to £278,832. The second disclosure relates to VAT overpaid on sports courses during the period 1 January 1978 to 31 December 1989 and amounts to £14,368.

Whilst the amounts of these disclosures are known, as at 31 March 2009, the likelihood, and value, of the amounts being repaid by HMRC is uncertain.

21. Prior Period Adjustments

21.1 There were no prior period adjustments.

22. Provisions

22.1

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

22.2 Provisions are charged to the appropriate service revenue account in

the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

22.3 Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

23. VAT

23.1 Income and expenditure excludes any amounts related to VAT, except where this is considered to be irrecoverable. All VAT collected is payable to HM Revenue and Customs, and VAT paid is (in the majority of circumstances) recoverable from them.

24. Overheads and Support Services

24.1

The costs of overheads and support services are charged to those services that benefit from the supply or service, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between services in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two costs are accounted for as separate headings in the Income and Expenditure Account as part of net cost of services.

INCOME AND EXPENDITURE ACCOUNT

2007/08 Net Expenditure £000s	Discontinued Services/Operations	2008/09 Gross Expenditure £000s	2008/09 Gross Income £000s	2008/09 Net Expenditure £000s	Notes - see Page 16
	<u>Central Services to the Public</u>				
2,682	Corporate and Democratic Core	3,764	(192)	3,572	5
1,478	Local Tax Collection	8,746	(6,877)	1,869	5
412	Elections	399	(5)	394	5
362	Other Services	884	(195)	689	5
4,934	Total	13,793	(7,269)	6,524	
	<u>Cultural, Environmental and Planning Services</u>				
1,712	Cultural and Related Services	2,572	(1,342)	1,230	5
5,567	Environmental Services	8,022	(791)	7,231	5
3,416	Planning and Development Services	5,837	(1,446)	4,391	5
10,695	Total	16,431	(3,579)	12,852	
813	Highways, Roads and Transport Services	940	(1)	939	
2,313	Housing Services Housing General Fund	22,847	(20,316)	2,531	5,6
0	LGR Transitional Costs			549	2
18,755	Net Cost of Services			23,395	7
124	(Gain)/Loss on the disposal of fixed assets			232	
3,439	Parish Council Precepts			3,585	9
(201)	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services			540	8
32	Contribution of Housing Capital Receipts to Government Pool			28	
(3,584)	Interest and Investment income			(3,064)	10
60	Management Fees			59	10
(27)	BCCI Receipt			(30)	
435	Pensions interest cost and expected return on pensions assets			956	15
7	Miscellaneous Adjustments			(7)	12
19,040	Net Operating Expenditure			25,694	
(8,626)	Demand on the Collection Fund			(9,078)	
(64)	Transfer to the collection fund			6	
(2,402)	General Government Grants			(1,731)	28
(6,641)	Non-domestic rates redistribution			(7,131)	
1,307	Deficit for the year			7,760	

As this is the last year of operation as Mid Beds District Council, all income and expenditure is shown as discontinued services/operations

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2007/08 £000s		2008/09 £000s
1,307	Deficit for the year on the income and expenditure account	7,760
(3,913)	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year.	(6,271)
(2,606)	Increase in General Fund Balance for the Year	1,489
(2,000)	General Fund Balance Brought forward	(4,606)
(4,606)	General Fund Balance Carried Forward	(3,117)

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND

2007/08 £000s		2008/09 £000s
(3,913)	Net additional amount required to be credited to the general fund balance for the year	(6,271)
	Comprising	
(5,037)	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.	(9,061)
(1,320)	Depreciation and impairment of fixed assets	(4,228)
71	Government Grants Deferred amortisation	92
(1,781)	Write down of revenue expenditure funded from Capital Under Statute	(2,276)
(124)	Net loss on sale of fixed assets	(226)
(1,883)	Net charges made for retirement benefits in accordance with FRS 17.	(2,423)
1,386	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.	1,456
0	Capital expenditure charged in year to General Fund Balance	0
(32)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool.	(28)
1,418	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners.	1,484
(262)	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 year	1,334
(262)	Net transfer to/(from) earmarked reserves	1,334

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007/08 £000s		2008/09 £000s
1,307	(Surplus)/Deficit for the year on the Income and Expenditure A/c	7,760
(2,557)	(Surplus)/Deficit arising on revaluation of fixed assets	118
(109)	(Surplus)/Deficit on revaluation of Available-for-Sale Financial Assets	743
(7,697)	Actuarial (Gains)/Losses on pension fund assets and liabilities	5,950
267	Collection Fund (Gain)/Loss	120
(8,789)	Total Recognised (Gains)/Losses for the year	14,691

BALANCE SHEET AS AT 31 MARCH 2009

31 March 2008 £000		31 March 2009 £000	Notes - see Page 36
	Fixed Assets		
0	Intangible Assets	0	3
	Tangible Assets		
	Operational Assets		
15,825	Other Land & Buildings	13,295	1
2,197	Vehicles, Plant & Equipment	2,676	1
349	Infrastructure Assets	438	1
	Non Operational Assets		
4,600	Investment Properties	2,755	1
0	Assets under Construction	3,741	
22,971		22,905	
15,187	Long Term Investments	4,374	11
	Long Term Debtors		
131	Mortgages	83	8
270	Other	696	8
401		779	
38,559	Total Long Term Assets	28,058	
	Current Assets		
44	Stocks	2	9
7,722	Debtors	19,342	10
34,033	Investments	29,183	11
2,557	Cash and Bank	5,323	
82,915		81,908	
	Current Liabilities		
(3,408)	Creditors	(9,938)	12
(237)	Government Grants - Deferred	(332)	13
(1,391)	Contributions Deferred Account	(1,583)	
(12,642)	Pension Fund Liability	(19,429)	
65,237	Total Assets Less Current Liabilities	50,626	
	Balances and Reserves		
2,317	Revaluation Reserve	1,594	14
109	Available for Sale Reserve	(633)	14
7,565	Capital Adjustment Account	31,212	14
115	Deferred Capital Receipts	61	14
58,458	Useable Capital Receipts Reserve	28,790	14
4,485	Earmarked Reserves	5,810	14
(12,642)	Pension Reserve	(19,429)	14
4,606	Balances - General Fund	3,117	14
224	- Collection Fund	104	14
65,237	Total Net Worth	50,626	

CASH FLOW STATEMENT

2007/08 £'000	ACCOUNTING STATEMENT	2008/09 £'000	2008/09 £'000
	<u>Revenue Activities</u>		
	Cash Outflows		
(10,633)	Employees	(12,536)	
(16,107)	Housing Benefit	(18,223)	
(30,225)	NNDR Payments to national Pool	(31,729)	
(66,896)	Precepts paid	(70,850)	
(11,808)	Other Operating Cash Payments	(16,014)	
(135,669)		(149,352)	
	Cash Inflows		
66,476	Council Tax Receipts	70,046	
28,233	Non-Domestic Rate	29,395	
1,115	Revenue Support Grant	993	
6,641	Non-Domestic Rate Pool	7,131	
22,592	DWP Benefit Grants	26,009	
635	Other Government Grants	1,389	
4,492	Cash received for Goods and Services	4,795	
130,184		139,758	
(5,485)	Net Revenue Cash Inflow/(Outflow)		(9,594)
	<u>Returns on Investments and Servicing of Finance</u>		
	Cash Inflows		
2,108	Interest Received		3,573
	<u>Capital Activities</u>		
	Cash Outflows		
(516)	Purchase of Fixed Assets	(5,420)	
(2,437)	Other capital cash payments	(2,815)	
(2,953)		(8,235)	
	Cash Inflows		
15	Sale of Fixed Assets	815	
648	Capital Grants Received	1,057	
88	Other Capital Cash Receipts	(104)	
751		1,768	(6,467)
(5,579)	Net Cash Inflow/(outflow) before Financing		(12,488)
	<u>Management of Liquid Resources</u>		
(15,498)	Net (increase)/decrease in investments		15,254
(21,077)	Increase / (Decrease) in Cash		2,766

1. Local Government Reorganisation (LGR)

1.1 Discontinued Operations/Services

As this is the last year of operation of Mid Beds as a result of Local Government Reorganisation, all income and expenditure is shown in the Income and Expenditure Account as Discontinued Operations / Services.

1.2 This expenditure has been incurred in 2008/09 and is accounted for in the accounts of each council.

2. Exceptional items

2.1 Exceptional items are material items within Mid Beds overall expenditure, not expected to recur frequently or regularly that need to be disclosed on the face of the accounts.

2.2 This year two items in respect of Local Government Reorganisation have been treated as exceptional items

2.2.1 Local Government Reorganisation Transition Costs- Implementation of Central Bedfordshire Council

During 2008/09, the following transition costs were incurred in total in respect of the implementation of the new Central Bedfordshire Council

Expenditure	2008/09 £000
Employee Costs	6,096
Premises	24
Transport	12
Supplies and Services	<u>5,994</u>
Total Expenditure	<u>12,126</u>
Total Income - Grants	<u>(388)</u>
Total Transition Costs	<u>11,738</u>

In accordance with the Bedfordshire (Structural Changes) Order 2008, these costs have been apportioned to the three demised authorities that have formed the new council - Mid Bedfordshire District Council, South Bedfordshire District Council and Bedfordshire County Council. These authorities' 2008/09 precepts on the Central Bedfordshire area have been used as the basis of apportionment as shown below:

Authority	2008/09 Precept £m	%	2008/09 Appportionment £000
Mid Bedfordshire DC	5.493	4.7	549
South Bedfordshire DC	6.864	5.8	686
Bedfordshire CC	<u>105.120</u>	<u>89.5</u>	<u>10,503</u>
Totals	<u>117.477</u>	<u>100.00</u>	<u>11,738</u>

Assets to the value of £3.741 million were purchased and financed by Mid Bedfordshire District Council in preparation for the formation of Central Bedfordshire Council. These are included in the Mid Bedfordshire District Council's accounts as Assets Under Construction.

2.2.2 LGR Severance Costs

2.2.2 The financial impact of all severance and redundancy costs relating to LGR have been included in the 2008/09 accounts, as the decisions on redundancy and severance had been made prior to 31 March 2009. The severance costs include the cost of redundancy payments and the actuarial costs to be paid over to the Pension Fund by Central Bedfordshire Council. Redundancy costs have initially been funded by the authority employing the relevant staff and have subsequently been 'pooled' into the allocation to authorities referred to above.

3. Income And Expenditure Account

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

4. Statement of Movement on the General Fund

4.1 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 differences 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.

- 4.2 The General Fund Balance discloses whether the Council has covered or under spent, against the Council Tax raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for anticipated expenditure.
- 4.3 This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

5. Explanation of Services

- 5.1 The main services included within each section are: -

- | | |
|--------------------------------|---|
| Corporate and Democratic Core | - Democratic Representation and Management, Corporate Management, Treasury Management and External Audit |
| Central Services to the Public | - Council Tax Collection, Business Rates Collection and Council Tax Benefits Administration, Parliamentary, District, Parish and County Elections, Registration of Electors, Emergency Planning, Local Land Charges and General Grants, Bequests and Donations. |
| Unallocated Central Overheads | - Pension Fund deficiency and additional contributions and overheads costs that have not been re-allocated. |
| Cultural & Related Services | - Arts Development, Community Parks & Open Spaces, Saxon Pool, Joint Facilities and Sports Development. |
| Environmental Services | - Closed Churchyards, Housing Standards, Public Conveniences, Cesspool Emptying, Contributions to Sewerage Schemes, Pest Control, Pollution Reduction, Dog Warden, Food Safety, Animal Welfare, Health Education, Community Safety, Licensing, External Health & Safety, Land Drainage, Street Cleansing, Household Waste Collection, Recycling, Emergency Planning, and Home Repair Assistance Grants. |

- Planning and Development Services - Regulations, Dangerous Structures, Street Naming, Development Control, Development Enforcement, Footpath Diversions, Planning Policy, Grants, Individual Environmental Projects, Drainage, Bury Farm Stotfold, Special Projects, Mid Beds Community House, Century House Biggleswade and Community Development.
- Highways, Roads and Transport Services - Off-Street Parking and Concessionary Bus Fares
- Housing General Fund - Strategic Housing, Housing Advances, Homelessness, Housing Benefits Payments and Administration.
- Trading Operations - Biggleswade Acorn Centre, Brookes Rd Flitwick, Queens Rd Ampthill and Arc Progress (Beckerings Park Farm and Bury Farm).

6. Housing Services

6.1 Income and expenditure shown in the Housing General Fund (continuing activities) is analysed further below: -

2007/08 Net Expend. £000		2008/09 Gross Expend £000	2008/09 Income £000	2008/09 Net Expend. £000
839	Strategic Housing (i.)	691	(10)	681
367	Homelessness	443	(7)	436
686	Environmental Health – Housing	1960	(518)	1,442
188	Housing Benefit Payments	18579	(18,761)	182
405	Housing Benefit Administration	1174	(623)	551
<u>(172)</u>	Earmarked Reserves	<u>0</u>	<u>(397)</u>	<u>(397)</u>
<u>2,313</u>		<u>22,847</u>	<u>(20,316)</u>	<u>2,531</u>

- (i) Deferred charge write-offs were around £90,000 in 2008/09, compared to £499,707 in 2007/08.

Mid Beds pays out around £5.5m for Council Tax Benefit and £16.5m for Housing Benefit, and then receives subsidy from the Department of Works and Pension (DWP) to reimburse most of the cost.

However there is a timing issue in that the Council's accounts are externally audited and signed off by the 30 September, and notification of the actual amount to be reimbursed to/from the DWP is not officially confirmed until after this date.

It is estimated that around £60k is due to be repaid to the DWP for the 2008/09 financial year and this amount has been included as a creditor within the accounts.

7. Net Cost of Services

7.1 This represents the total of all revenue service activities carried out by the authority.

8. Trading Operations

8.1 The Council owns and manages freehold interests in the following:

The Acorn Centre at Biggleswade, which comprises of business units, let on licence.

8.2 The Council also manages Arc Progress, Beckerings Park Farm, and Arc Progress Stotfold (Bury Farm), comprising leased office units. Queens Rd, Ampthill and Brookes Rd, Flitwick were both sold on 31st March 2009.

INCOME FROM LETTINGS

2007/2008 £000		2008/2009 £000
	Biggleswade Acorn Centre	
(122)	Income	(88)
<u>69</u>	Expenditure	<u>298</u>
(53)	Net (Surplus)/deficit	<u>210</u>
	Brookes Rd, Flitwick	
(43)	Income	(33)
<u>18</u>	Expenditure	<u>4</u>
(25)	Net (Surplus)/deficit	<u>(29)</u>
	Queens Rd, Ampthill	
(4)	Income	(3)
<u>8</u>	Expenditure	<u>2</u>
4	Net (Surplus)/deficit	<u>(1)</u>
	Arc Progress (Beckerings Park Farm)	
(129)	Income	(68)
<u>102</u>	Expenditure	<u>149</u>
(27)	Net (Surplus)/deficit	<u>81</u>
	Arc Progress (Bury Farm)	
(124)	Income	(90)
<u>24</u>	Expenditure	<u>369</u>
(100)	Net (Surplus)/deficit	<u>279</u>
(422)	Total Income	(282)
<u>221</u>	Total Expenditure	<u>822</u>
<u>(201)</u>	Total Net (Surplus)/deficit	<u>540</u>

There was a reduction in 2008/09 income of approximately £80K resulting from a change in accounting treatment explained in note 2 in the Statement of Accounting Policies.

The deficit in 2008/09 is a result of impairment costs on rental properties amounting to £604k.

9. Parish Precepts

9.1 There are 55 Town and Parish Councils, which have the power to make a precept on the Council to meet their expenditure. For 2008/09, precepts ranged from £0 to £582,235.

10. Net Interest and Investment Income

10.1 Interest is shown gross in the Income and Expenditure Account. (£3,064k). Management Fees were £59k, therefore the net interest was (£3,005k)

11. Contributions to/(from) Earmarked Reserves

11.1 Detailed transactions for contributions to and from earmarked reserves can be seen on page 50.

12. Miscellaneous Adjustments

12.1 A regular review takes place on all items contained within the balance sheet, to ensure all balances held there are still applicable, and where appropriate adjustments may be made within the Income and Expenditure Account. For the 2008/09 financial year the net adjustment totalled around (£7k).

13. Section 137 of the Local Government Act 1972

13.1 Section 137 empowers a Local Authority, subject to various conditions and limits, to incur expenditure, which in its opinion is in the interest of its area or any part of it, or all or some of its inhabitants. Under this section Local Authorities are required to account separately for any such expenditure.

13.2 The expenditure incurred was £183,000 (2007/08 £173,708) on grants to various organisations.

14. Publicity Expenditure

14.1 Set out below, under the requirements of section 5(1) of the Local Government Act 1986, is the Council's spending on publicity:

<u>2007/2008</u>		<u>2008/2009</u>
£		£
111,351	Recruitment Advertising	25,572
46,954	Other Advertising	217,318
<u>248,353</u>	Other Publicity	<u>243,817</u>
<u>406,658</u>	Total	<u>486,707</u>

15. Accounting for Pension Costs - FRS 17

15.1 The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered in accordance with the LGPS regulations 1997, and it is contracted out of the State second pension scheme.

15.2 To comply with the latest accounting requirements arising from FRS 17 there are additional accounting entries that impact on the Income and Expenditure Account and Statement of Movement in the General Fund Balance for the 2008/09 financial year.

15.3 A summary of the entries, and where they are included within the Income and Expenditure Account is shown below. The overall financial impact on the Income and Expenditure Account is:

Central Services – Other Services	
This contains:	£M.
Settlements and Curtailments	0
Past Service Costs	0.418

Current Service Costs (Allocated across all Direct Services).	1.049
Pension Interest Cost and expected return on assets (net)	<u>0.956</u>
Total of Expenditure Items	<u>2.423</u>

Entries included within the Statement of Movement on The General Fund Balance are as follows:

Reversal of net charges made for retirement benefits in accordance with FRS 17	<u>(2.423)</u>
--	----------------

16. Pensions

16.1 In 2008/09 the Council paid an employer's contribution of approximately £1,254,952 representing 16% of employees' pensionable pay into the Bedfordshire County Council Superannuation Fund, which provides members with defined benefits related to pay and service. The contribution rates are agreed with the Fund's actuary, based upon a full valuation that is carried out every 3 years. The Local Government Pension Scheme (LGPS) is a defined benefit scheme. The last valuation was based on the scheme as at 31st October 2007. Based upon the previous valuation as at 31st October 2004, the contribution rates for the subsequent three year period were:

-

2005/06:	228% of employees' contribution	
2006/07:	247%	“
2007/08:	267%	“

16.2 Until the 2007/08 financial year employees paid a contribution of 6% of their salary to the Superannuation Fund. From 2008/09, following changes to the pension scheme from the 1 April 2008, employees' contributions became variable, depending on salary.

In 2008/09, the Council contributed around £229,431 (representing 2.9% of employee's pensionable pay) (2007/08 £217,341), a 5.6% increase in respect of the cost of added years awarded prior to 2008/09.

16.3 Past Service cost arose due to retrospective changes to member benefits that came into effect on 1 April 2008, as follows:

£313,000 in respect of the extension of the death grant upon death after retirement to 10 times the pension less the total pension payments already paid.

£105,000 in respect of the extension of the eligibility criteria for dependant's pension upon death to include a nominated cohabitee.

16.4 Curtailments arise from early payment of accrued pensions in respect of redundancies. In 2008/09, no employees retired prematurely on redundancy grounds before attaining their Rule of 85 age.

16.5 The Actuary was not aware of any liabilities being settled at a cost materially different to the FRS 17 reserve during the year ended 31st March 2009.

- 16.6 The expected return on Employer assets in the year to 31 March 2009 was £2.9m (£3.1m in 2007/08) and the Pension Interest cost was £3.9m (£3.5m in 2007/08).
- 16.7 Further information can be found in the Bedfordshire County Council's Superannuation Fund Annual Report, which is available upon request from Bedford Borough Council, Borough Hall, Bedfordshire, MK42 9AP.

17. Accounting for Pension Costs (FRS 17)

- 17.1 The following information has been provided by the Actuary in relation to the disclosures required for Pension Fund Liabilities, in accordance with FRS 17.
- 17.2 The figures disclosed below have been derived by suitable approximate methods from the full actuarial valuation of the Fund carried out by Hyman Robertson as at 31 March 2009, for the purposes of FRS 17.
- 17.3 Employees of Mid Bedfordshire District Council are admitted to the Bedfordshire Pension Fund ("The Fund"), administered by Bedfordshire County Council under the Regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.
- 17.4 Financial assumptions used for the purpose of FRS 17 calculations as at 31 March 2009 are shown below.

	31/03/2008 % pa	31/03/2009 % pa
Price Increases	3.6%	3.1%
Discount Rate	6.9%	6.9%
Expected Return on Assets	6.7%	6.7%
Expected rate of salary increases	6.0%	5.1%
Rate of Pension Increases	3.6%	3.6%

- 17.5 The inflation assumption, (price increases), has been derived by considering the difference in the gross redemption yields of traditional and index-linked gilt-edged Securities as at 31 March 2009. Salary increases are assumed to be 1.60% pa more than price increases, in line with the assumptions used in the latest formal valuation of the fund.
- 17.6 The actuary assumes that the employer prepares its accounts in accordance with guidance from CIPFA. Therefore, the discount rate employed for the 2008/09 financial year is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iboxx sterling Corporates Index, AA over 15 years), at the FRS 17 valuation date.
- 17.7 Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non-pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

17.8 Changes in Accounting Policy

Under the 2008 SORP the council has adopted the amendments to FRS 17, Retirement benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is not material, therefore the value of scheme assets at 31 March 2009 have not been restated.

17.9 Changes to the Local Government Pension Scheme

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2008 includes an allowance of 50% of future retirements to elect to take additional tax-free cash up to HRMC limits.

18. Fair Value of Fund Assets and Expected Rate of Return

	As at 31/3/08		At 31/3/2009	
	Fair Value £m	Expected Rate of Return % pa	Fair Value £m	Expected Rate of Return % pa
Equities	24.5	7.7%	19.0	7.0%
Bonds	7.2	5.7%	7.4	5.6%
Property	4.3	5.7%	2.8	4.9%
Cash	7.6	4.8%	6.0	4.0%
Total	43.6		35.2	

18.1 The deficit in the fund at 31st March 2009 was (£19.2m), compared to a figure of (£12.6m) at 31 March 2008, which is an increase in the deficit of around £6.6m (52.3%).

18.2 In assessing liabilities for retirement benefits at 31 March 2008 for the 2007/08 Statement of Accounts, the actuary assumed a discount rate of 3.2% real (6.9 % actual), a rate based on current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2008/09 Statement of Accounts, the actuary has advised that a rate of 3.8% real (6.9% actual) is appropriate. Application of this rate has resulted in a decrease in liabilities measured at today's prices of £11,363m, adjusted for by an actuarial gain recognised for the year in the Statement of Recognised Gains and Losses.

18.3 The figures have been supplied by the actuaries, to the Trustees of the Local Government Scheme, using a range of actuarial assumptions that are acceptable under the requirements of FRS 17, particularly in respect of the expected return on equities. The actuary considers that these assumptions are within the acceptable range

and that these are consistent with the requirements of FRS 17. The assumed returns are net of administration and investment expenses. No allowance has been included in the cost of accruing benefits for expenses.

19. Pension Reserve

19.1 This reserve represents the deficit in the pension fund, as required by the new reporting standard FRS 17.

	2004/05 £m	2005/06 £m	2006/07 Restated £m	2007/08 Restated £m	2008/09 £m
Analysis of amounts recognised in the Statement of Reserves:					
Pension Fund assets	34.5	41.8	45.4	43.6	35.2
Pension Fund liabilities	(52,8)	(66.2)	(65.3)	(56.2)	(54.7)
Pension Fund deficit recognised in the Statement of Reserves before adjustment for tax.	(18.3)	(24.4)	(19.9)	(12.6)	(19.4)

a) Components of Defined Benefit Cost

	£m
Analysis of amounts charged to net cost of services:	
a Current Service Cost	1,049
b Past Service Cost	418
c Total charged to net cost of services	<u>1,467</u>
Analysis of other amounts charged to net cost of services:	
d (Gain) / loss due to settlements and curtailments	0
e Net (gain) / loss charged to net cost of services	1,467
Analysis of amounts credited to other finance income:	
f Interest on Pension Scheme Liabilities	3,879
g Expected Return on Assets in the Pension Scheme	<u>(2,923)</u>
h Net charge / (debit) to other finance income	956
i Total revenue account before deduction for tax (c + e + h)	<u>2,423</u>
Analysis of amounts recognised in Statement of Total Movement in Reserves (STMR)	
j (Gain) / loss on assets*	(5)
k Experience (gain) / loss on liabilities	11
m Total (gain) / loss on recognised in STMR before adjustment for tax	<u>6</u>

b) History of Experience Gains and Losses

	2004/05		2005/06		2006/07		2007/08 Restated		2008/09	
	£'m	%	£'m	%	£'m	%	£'m	%	£'m	%
Differences between the expected and actual returns on assets	1.1	2.97	4.7	10.28	0.3	0.66	(3.4)	7.80	(5.4)	0.02
Differences between actuarial assumptions about liabilities and actual experience	(0.9)	1.62	(2.7)	3.85	0.9	1.37	1.8	3.14	0.21	0.4

c) Reconciliation to the Balance Sheet

	01/04/2008 £m	31/03/2009 £m
Funded benefits under the LGPS regulation	(52.5)	(51.4)
Unfunded discretionary benefits awarded by means of additional benefits under the LGPS regulation	(3.7)	(3.2)
Actuarial Value of Fund liabilities	(56.2)	(54.6)
Market Value of Fund assets	43.6	35.2
Surplus (deficit) in the Fund	(12.6)	(19.4)

Reconciliation of present value of the scheme liabilities

	31/03/2009 £(000)
Opening Defined Benefit Obligation	(56,231)
Current Service Cost	(1,049)
Interest Cost	(3,879)
Contribution by members	(578)
Actuarial Losses/(Gains)	5,413
Past Service Cost	(418)
Estimated Unfunded Benefits Paid	249
Estimated Benefits Paid	1,832
Closing Defined Benefit Obligation	(54,661)

Reconciliation of fair value of the scheme liabilities

	31/03/2009 £(000)
Opening Fair Value of Employer Assets	43,589
Expected Return on Assets	2,923
Contribution by members	578
Contributions by the employer	1,337
Contributions in respect of Unfunded Benefits	249
Actuarial Gains/(Losses)	(11,363)
Unfunded Benefits Paid	(249)
Benefits Paid	(1,832)
Closing Fair Value of Employer Assets	35,232

Analysis of the movement in surplus (deficit) in the Fund during the period

	31/03/2009 £(000)
Surplus/(Deficit) in the Fund at beginning of period	(12,642)
Contributions paid (including Unfunded)	1,586
Current Service Cost	(1,049)
Past Service Cost	(418)
Settlement/Curtailments	0
Net Return on Assets	(956)
Actuarial Gain/(loss)	<u>(5,950)</u>
Surplus/(Deficit) in the fund at end of period	<u>(19,429)</u>

20. Housing and Planning Delivery Grant

20.1 During 2008/09, the Council received Housing and Planning Delivery Grant of around £375k, which was credited to an earmarked reserve, and transferred to offset relevant expenditure as it was incurred. Around £122k (32.5%) of the grant is to be used specifically for capital purposes.

21. Operating Leases

21.1 The Council does not hold any operational lease obligations at 31 March 2009 for computer equipment.

21.2 The Council uses leased cars financed under the terms of operating leases. The rentals payable in 2008/09 amounted to £211,909 (2007/08, £233,985).

21.3 The Council also leases two properties, which it uses as Points of Presence that are situated in the East and West of the District. The

- 21.4 The Council was committed at 31 March 2009 to making payments of £158,925 under operating leases in 2009/10, comprising the following elements:

	<u>Other Land & Buildings</u>	<u>Vehicles, Plant & Equipment</u>
Leases expiring in:		
2009/10	£0	£0
2010/11 to 2013/14	£0	£149,167
After 2013/14	£9,758	£0

22. Employees' Remuneration

- 22.1 The number of employees whose total remuneration (excluding pension contributions but including gross taxable benefits) was £50,000 or more, in bands of £10,000 were as follows

<u>Remuneration between</u> £	<u>Number of Employees</u>	
	<u>2007/2008</u>	<u>2008/2009</u>
50,000 - 60,000	16	18
60,000 - 70,000	2	11
70,000 - 80,000	5	1
80,000 - 90,000	1	1
90,000 - 100,000	0	3
100,000 - 110,000	0	0
110,000 - 120,000	1	2
120,000 - 130,000	0	1
130,000 - 140,000	0	1
140,000 - 150,000	0	1
150,000 - 160,000	0	0
160,000 - 170,000	0	1
170,000 - 180,000	0	0
180,000 - 190,000	0	0
190,000 - 200,000	0	0
200,000 - 210,000	0	0
210,000 - 220,000	0	0
220,000 - 230,000	0	1
230,000 - 240,000	0	0
240,000 - 250,000	0	0
250,000 - 260,000	0	0
260,000 - 270,000	0	1

Remuneration includes salary, allowances chargeable to tax, redundancy payments and the monetary value of non-cashable benefits. A number of employees were made redundant during 2008/09 as a result of LGR and as a result the numbers in the above table has increased for 2008/09.

23. Members' Allowances

- 23.1 Members' allowances in 2008/09 paid by the Authority were £534,859 (2007/08 £417,282). This figure includes Special Responsibility Allowances paid to members of the Shadow Central Bedfordshire Council, in addition to their allowances in respect of Mid Beds.

24. Related Party Transactions

24.1 The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

During the year 2008/09 some members acted in a number of other capacities for related parties. Payments made to these related parties are as follows:

a grant payment of £21,000 to Harvey Cottages Trust;
a grant payment of £10,000 to Community and Voluntary Service Mid and North Beds;
a grant of £100,000 to Bedford Credit Union over 5 years;
a grant payment of £4,000 to Westoning Parish Council

24.2 The Authority maintains a register of Members interests, as required under section 81 of the Local Government Act 2000, and in addition, Members declare any personal or personal/prejudicial interests that they have in any agenda item considered at meetings (for which minutes are kept).

25. Building Regulations

25.1 Set out below is the account for the Building Regulations service for the financial year 2008/09. Around 30% of this account is apportioned to 'non chargeable' and around 70% is apportioned to 'Chargeable'.

Building Regulations Charging Account	Non-chargeable 2008/09	Chargeable 2008/09	Total 2008/09
Expenditure	£	£	£
Employee Expenses	84,095	196,220	280,315
Premises	23,873	55,705	79,578
Transport	6,917	16,141	23,058
Supplies and Services	4,632	10,808	15,440
Agency/Contracted	68	157	225
Support Services	<u>42,463</u>	<u>99,081</u>	<u>141,544</u>
TOTAL EXPENDITURE	<u>162,048</u>	<u>378,112</u>	<u>540,160</u>
Income			
Building Regulation Charges	<u>(137,324)</u>	<u>(320,424)</u>	<u>(457,748)</u>
TOTAL INCOME	<u>(137,324)</u>	<u>(320,424)</u>	<u>(457,748)</u>
(Surplus)/Deficit for Year	24,724	57,688	<u>82,412</u>
Comparatives for 2007/08			
Expenditure	<u>133,586</u>	<u>311,702</u>	<u>445,288</u>
Income	<u>(143,418)</u>	<u>(334,641)</u>	<u>(478,059)</u>
(Surplus)/Deficit for Year	<u>(9,832)</u>	<u>(22,939)</u>	<u>(32,771)</u>

In 2008/09, Mid Beds District Council incurred the following fees relating to external audit and inspection.

2007/08 £000		2008/09 £000
	Expenditure	
112	Fees payable with regard to external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998	126
22	Fees payable to the Audit Commission in respect of statutory inspection under section 10 of the Local Government Act 1999	7
47	Fees payable for certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998	31
0	Fees payable in respect of any other services provided by the appointed auditor over and above the duties described above	0
181	Total	164

27. Residual Housing Defects Grant

- 27.1 This Grant was originally received when the Council retained its Housing Stock, and credited to the Housing Revenue Account (HRA). The grant is actually paid one financial year in arrears.
- 27.2 The housing stock was transferred to Aragon Housing Association in the financial year 2001/02, with the HRA closing in the following financial year.
- 27.3 The 2008/09 accounts include the grant of around £9,608 due to be received in 2009/10.

28. General Government Grants

- 28.1 General Government grants include £262k for LABGI and £214k received from the Department of Transport.

29. Transport Act 2000

- 29.1 The Bedfordshire Concessionary Fares scheme is jointly funded by, South Bedfordshire District Council, Bedfordshire County Council and Mid Bedfordshire District Council. This scheme is in accordance with section 145 of the Transport Act 2000.

30. Change in Accounting Policy

- 30.1 There have been one additional change to the Accounting Policies adopted by the Council relating to the treatment of rental income on property other than those statutory amendments emanating from the revisions associated with the 2008 SORP and explained in detail in the Explanatory Foreword.

Balance Sheet Notes

1. Movement of Tangible Fixed Assets 2008/2009

	Other Land and Buildings £000	Vehicles Plant and Equipment £000	Infrastructure £000	Non Operational £000	Total £000
Gross Value at 1 April 2008	18,862	7,340	652	4,600	31,454
Additions	249	1,213	107	11	1,580
Disposals	(56)	0	0	(985)	(1,041)
Revaluations	0	0	0	98	(871)
Impairments	(2,099)	0	0	(969)	(2,099)
Transfers	0	(92)	0	0	0
Gross Value 31 March 2009	<u>16,956</u>	<u>8,461</u>	<u>759</u>	<u>2,755</u>	<u>29,023</u>
Depreciation at 1 April 2008	3,038	5,143	303	0	8,484
On assets sold	0	0	18		0
Charged in year	623	642	<u>321</u>		1,375
Depreciation at 31 March '09	<u>3,661</u>	<u>5,785</u>		<u>0</u>	9,859
Net Value 1 April 2008	15,824	2,197	349	4,600	22,970
Net Value 31 March 2009	13,295	2,676	438	2,755	19,164

2. Movement of Assets under Construction 2008/2009

	Other Land and Buildings £000	Vehicles Plant and Equipment £000	Total
Gross Value at 1 April 2008	0	0	0
Additions	70	3,671	3,741
Revaluations	0	0	0
Gross Value 31 March 2009	<u>70</u>	<u>3,671</u>	<u>3,741</u>
Depreciation at 1 April 2008	0	0	0
Depreciation at 31 March '09	0	0	0
Net Value 31 March 2009	<u>70</u>	<u>3,671</u>	<u>3,741</u>

	Improvement Grants	Housing Association Grants	Other Grants	Total
Balance at 1 April 2008	0	0	0	0
Transfers	0	0	0	0
Expenditure in Year	1,720	0	1,095	2,815
Grants and Contributions	(518)	0	(21)	(539)
Written down in year	(1,202)	0	(1,074)	(2,276)
Balance at 31 March 2008	0	0	0	0

4. Financing of capital expenditure

£000

Opening CFR	12,841
Expenditure on Fixed Assets (cash basis)	5,420
Expenditure on Intangible Assets (cash basis)	2,815
Usable Capital Receipts	(7,496)
Specified Capital Grant	(739)
Closing CFR	12,841

5. Information on Assets Held

5.1 Fixed Assets owned by the Council include the following:

31 March 2008 Number owned		31 March 2009 Number owned
	Buildings:	
1	Public Offices	1
2	Leisure Centres	2
21	Managed Workspaces	21
11	Managed Offices	11
8	Shops	0
	Vehicles:	
3	Light Vans	4
5	Recycling Vehicles	5
0	Food Waste Vehicles	7

6. Fixed Asset Valuation

- 6.1 The Authority has complied with the requirements of Financial Reporting Standard (FRS 15) in the Statement of Accounts, and has charged depreciation to the service accounts, reversing the entries out via the Note of Reconciling Items for the Statement of Movement on the General Fund.
- 6.2 Fixed assets are valued on a five-year rolling basis. Revaluations are completed by James Hall MRICS, who is employed within the Estates and Valuation Section at Mid Beds District Council. The net impact of any revaluations would be shown in the respective accounts within the Balance Sheet.
- 6.3 The impairment charged to the Income and Expenditure Account was due to a change in classification of some public conveniences from Operational (specialised) to Non Operational, resulting in a change to the basis of valuation of from Existing Use Value to Market Value.
- 6.4 If there has been no material change in the valuation of a fixed asset, the values included on the Balance Sheet have not been updated.
- 6.5 Fixed Assets have been included in the Balance Sheet in accordance with our accounting policies. See table 6.3 on page 9.
- 6.6 Sale of Brookes Rd, Flitwick and Queens Rd, Ampthill

The Council sold its freehold interest in Brookes Rd, Flitwick and Queens Rd, Ampthill in 2008/09 receiving a capital receipt of £640k for Brookes Rd and £175k for Queens Rd.

- 6.7 The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Other Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Infrastructure £000s	Non Operational £000s	TOTAL £000s
Valued at historical cost	-	2,676	438	-	3,114
Valued at current value in:					
2008/09	4,400	-	-	2,755	7,155
2007/08	2,232	-	-	-	2,232
2006/07	6,663	-	-	-	6,663
2005/06	-	-	-	-	-
2004/05	-	-	-	-	-
2003/04	-	-	-	-	-
	13,295	2,676	438	2,755	19,164

7. Analysis of Net Assets Employed

31 March 2008 £000		31 March 2009 £000
65,237	Net Worth	50,626

8. Long Term Debtors

- 8.1 Long Term debtors relate to mortgages provided by the Council to former housing tenants, benefit overpayments, and staff car loans and a £500k loan to Stotfold Town Council repayable by 31 March 2010

31 March 2008 £000		31 March 2009 £000
44	Postages/Consumables	2

10. Debtors (net provisions)

31 March 2008 £000		31 March 2009 £000
	Amounts falling due in one year:	
1,909	Government Departments	3,157
185	Local Authorities	10,651
2,581	Council Tax Payers	2,668
800	NDR Payers	994
<u>3,576</u>	Sundry Debtors	<u>3,341</u>
9,051		20,811
(1,329)	Less: provision for bad debts	(1,469)
<u>7,722</u>		<u>19,342</u>

The Local Authorities figure in the table above includes the apportionment of Bedfordshire County Council's LGR transition costs to the value of £10.5M, referred to in Note 2 to the Income and Expenditure Account.

11. Investments

- 11.1 The Fair value of the Council's external investments is dependent upon the market conditions at any moment in time. At the 31 March 2009 the value of the investments was around £33m, of which around £4m was long term.

31 March 2008 Carrying Amount £000		31 March 2009 Carrying Amount £000
	<u>Long Term</u>	
	Loans and receivables	
10,000	In-house Investments	0
	Available-for-sale financial assets	
5,187	Lime Property fund	4,374
15,187	Long Term Investments Total	4,374
	<u>Short Term</u>	
	Loans and receivables	
28,732	In-house Temporary	23,508
	Available-for-sale financial assets	
	External Fund Managers	
5,301	Investec Asset Management	5,675
34,033	Short Term Investments Total	29,183

- 11.2 When looking at investments three main areas of risk are taken into consideration. They are as follows:-
- 11.3 Credit Risk - the possibility that other parties might fail to pay amounts to the authority.
- 11.4 Liquidity Risk – the possibility that the authority might not have funds available to meet its commitments to make payments.
- 11.5 Market Risk – the possibility that the financial risk might rise for the authority as a result of changes in such measures as interest rates and stock market movements.
- 11.6 The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on resources available to fund services. Risk management is carried out within the Finance function under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as

Credit Risk

11.7 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated as follows:

Term Deposits – Banks	Short term Fitch F1/B or better
Term Deposits – Building Societies	£5m with a Building Society rated 'AA' long term, or better rated.
	£3m with a Building Society rated 'A' long term, or better rated.
Certificates of deposits issued by Banks and Building Societies	As Term Deposits
Money Markets	'AAA'
UK Government Gilts	'AAA'

In light of the conditions in the financial markets, the Council's investment strategy was further tightened during the course of the year. More details are included in the Treasury Management Review 2008/09 reported to the Central Bedfordshire Executive in July 2009.

- 11.8 Customers and the appropriate bad debts provisions are assessed, taking into consideration the outstanding amounts, past collection experience and other relevant factors.
- 11.9 The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	A	B	C	{A X C}
External Fund Manager	5,676	0.0	0.0	0
Property Fund		0.0	0.0	0
Long term loans	4,301	0.0	0.0	0
Short term loans	28,501	0.0	0.0	0
Customers	6,427	0.6	0.9	58
	<u>38,478</u>			<u>58</u>

- 11.10 There has been no experience of default from any of the financial institutions with which the authority has been associated in the last 5 years. No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.
- 11.11 The authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. This is reflected in the rating requirements of the institutions it chooses to invest with.
- 11.12 Customers - Historical experience of default from customers has been very low, at 0.6%. The customer base for the purpose of ascertaining risk is mainly comprised of council taxpayers, housing benefit overpayments, non-domestic rates and central and local government debtor accounts.
- 11.13 For this calculation a very prudent view has been taken concerning current economic conditions. These conditions could feed through into a greater level of default, particularly amongst businesses, and subsequently could lead to a reduced collection rate for non-domestic rates. Whilst this is difficult to quantify, the calculation for historical experience of default has been adjusted by an additional 50%.
- 11.14 The authority does not generally allow credit for customers. However, timing issues can occur where invoices are sent out near the end of the financial year and amounts have not been received from debtors by the end of the financial year, mainly for invoices raised through the sundry debtors system. It should also be noted that the accounts include prudent bad debts provisions, which are reviewed on an annual basis.

	£
Up to one year	786,975
More than one year	401,660
	<u>1,188,635</u>

11.15 It is anticipated that the majority of the amount owed will be paid. debt provisions are provided to help offset amounts that have not been received, and are calculated on the basis of a reducing likelihood of repayment over time. Generally the longer the amount has been outstanding, the greater percentage that is applied to the outstanding sum as a Bad Debts Provision.

11.16 The Aged Debt Analysis and Bad Debts Provision as at 31 March 2009 for the Sundry Debtors System and IBS system is shown below.

Year that debt originally became due	Aged Debt @ 31/03/09 £	% Bad Debts	Bad Debts Provision £
2008/09	786,975	20%	157,395
2007/08	141,451	20%	28,290
2006/07	121,360	85%	103,156
2005/06	63,410	50%	31,705
2004/05	26,172	37%	9,683
2003/04	9,471	37%	3,504
2002/03	5,798	37%	527
2001/02	1,424	37%	12,000
2000/01	9,667	37%	3,577
Prior to 1999/00	22,907	37%	8,476
Total	1,188,635		358,313

11.17 The Council also has a defined write off policy, located in its Financial Procedure Rules (section 5.4.2). Formal approval for any debt write-off has to be obtained; the appropriate write-off action must be taken within defined timescales, and the appropriate accounting adjustments are made following write-off action.

Liquidity Risk

11.18 The authority is debt free with significant financial reserves and also has an approved bank overdraft limit of £500k. There is therefore no significant risk that it will be unable to meet its financial commitments.

11.19 All trade and other payables are paid as soon as possible, and normally within 1 year unless there are contractual obligations to do otherwise.

Market Risk – Interest Rate Risk

11.20 The authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. It would only borrow, by way of an approved bank overdraft for short periods, to cover any temporary cash shortfalls. Movements in interest rates can have a complex impact on the authority and because of the authority's significant financial reserves only impact on investments. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

- Investments at fixed rates – the fair value of the assets

- 11.21 However, changes in interest payable, if any, and interest receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.
- 11.22 The authority has a Treasury Management Strategy, which is approved by Council annually, which includes the policy for managing interest rate risk. The Policy is to aim to keep an upper limit of 100% of its investments in variable rate investments and an upper limit of 100% of its investments in fixed rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be arranged early in this cycle to limit exposure to falling returns.
- 11.23 The finance team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget forecast, quarterly, throughout the year. This allows any variances from budget to be identified and reported to Scrutiny. The analysis will also consider whether any investments should be fixed or variable term.
- 11.24 According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher for the entire financial year 2008/09 with all other variables held constant, the financial effect would be:

Note	£000s
1 Increase in interest payable on variable rate borrowings	0
2 Increase in interest receivable on variable rate investments	[507]
3 Increase in government grant receivable for financing costs	[0]
Impact on Income and Expenditure Account	[507]
4 Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0
1 Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	0

1. The Authority is debt free and would therefore be unaffected by increases in interest rates on loans or decreases in the fair value of borrowing liabilities.
 2. The majority of the Authority's internal investments are variable so an additional 1% increase in interest rates would have had a significant effect (£452k). Investments held by fund managers would also have benefited from this rise (£55k), however any effect on the Property Fund would be minimal as there would not necessarily be a change to rental or lease income.
 3. It is assumed that as the Authority's financing costs would not increase there would be no additional government grant.
 4. The authority's investment portfolio does not involve bonds or options where the realisable market value differs from the face value. Whilst the value of the property fund can fluctuate due to market conditions, this is not necessarily directly linked to a change in interest rates of 1%.
- 11.25 The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risk – Price Risk

- 11.26 The authority does not invest in equity shares and so does not have exposure to price risk.

Market Risk – Foreign Exchange Risk

- 11.27 The authority did invest with the Bank of Credit and Commerce International (BCCI), which subsequently went into liquidation in the early 1990s. Mid Beds does still receive dividend payments from the liquidators of BCCI which is payable in American Dollars. Currency fluctuations between the British pound and the American Dollar may impact on amounts received by Mid Beds, however as Mid Beds does not carry a debtor balance in respect of the dividend, these fluctuations do not represent a foreign exchange risk to the authority's Balance Sheet.

12. Creditors

31 March 2008 £000		31 March 2009 £000
183	Government Departments	199
909	Local Authorities	2,124
667	Council Tax Payers	553
171	NDR Payers	190
<u>1,478</u>	Sundry Creditors	<u>6,872</u>
<u>3,408</u>		<u>9,938</u>

The Local Authorities figure in the table above includes a credit for South Bedfordshire District Council of £948,000 which adjusts for South Beds apportionment of LGR transition costs.

The Sundry Creditors figure includes £3.8M relating to accrued LGR redundancy and pension strain costs.

Further accruals related to Mid Beds stewardship role in the LGR process have increased the level of creditors to a level higher than would be expected in a normal year of operation.

13. Government Grants – Deferred

- 13.1 Around £122,000 was received from Central Government in 2008/09. Expenditure amounted to around £27,000

	£'000
Balance Brought Forward	237
Government Grant Received	122
Expenditure	(27)
Transfer to Earmarked Reserves	0
Balance Carried Forward	332

14. Balances and Reserves

- 14.1 Full details of all balances and reserves are analysed in the Statement of Total Movements in Reserves and its associated notes from pages 47 to 55.

15. Euro Preparation Costs

- 15.1 The Authority has kept a 'watching brief' on this issue through membership of the Chartered Institute of Public Finance's Euro Forum. No expenditure was incurred in 2008/09. The Council is working on achieving e-govt targets, and through the IEG Statements ensures that new systems are Euro compliant.

16. Area Based Grants (ABG)

- 16.1 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.

Mid Beds received a total of £102,500 for ABG and £27,000 LAA grant carried forward from 2007/08. The grants were spent on revenue projects.

17. Capital Commitments

- 17.1 Mid Beds had no capital commitments as at the Balance Sheet date.

STATEMENT OF MOVEMENT IN RESERVES

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

For further detail on reserves, see notes to Movement in Reserves.

Reserve	Balance 31 March 2008 £000s	Net Movement in Year £000s	Balance 31 March 2009 £000s
Revaluation Reserve	2,317	(723)	1,594
Available-for-Sale Financial Instruments Reserve	109	(742)	(633)
Capital Adjustment Account	7,565	23,647	31,212
Deferred Capital Receipt	115	(54)	61
Useable Capital Receipts	58,458	(29,668)	28,790
Earmarked Reserves	4,485	1,325	5,810
Pension Reserve	(12,642)	(6,787)	(19,429)
General Fund	4,606	1,489	3,117
Collection Fund	224	(120)	104
Total	65,237	(14,611)	50,626

SUPPLEMENTARY STATEMENT OF MOVEMENTS IN RESERVES

	Usable Capital Receipts £000s	Usable Capital Grants and Contributions £000s
Movements in realised capital resources		
Amounts receivable in 2008/09	828	0
Amounts applied to finance new capital investment in 2008/09	(7,496)	0
Set aside useable capital receipts	(23,000)	0
Total increase/(decrease) in realised capital resources in 2008/09	(29,668)	0
Balance brought forward at 1 April 2008	58,458 CR	0
Balance carried forward at 31 March 2009	28,790	0

	Revaluation Reserve £000s
Movements in unrealised value of fixed assets	
Gains/losses on revaluation of fixed assets in 2008/09	(118)
Total increase/(decrease) in unrealised capital resources in 2008/09	
Depreciation Adjustment	(202)
Write off revaluation on disposal of fixed assets	(403)
Total movement on account in 2008/09	(723)
Balance brought forward at 1 April 2008	2,317
Balance carried forward at 31 March 2009	1,594

	Capital Adjustment Account £000s
Financing capital expenditure 2008/2009	7,496
Intangible Assets written down	(2,276)
Depreciation/Govt Grants	(1,081)
Impairment	(2,853)
Disposal	(639)
Set aside Capital Receipts	23,000
Total increase/(decrease) in amounts set aside to finance capital investment	
Total movement on account in 2008/09	23,647CR
Balance brought forward at 1 April 2008	7,565CR
Balance carried forward at 31 March 2009	31,212CR

NOTES TO THE MOVEMENT IN RESERVES

1. Revaluation Reserve

1.1 The Revaluation Reserve accounts for gains on revaluation of fixed assets not yet realised through sales.

2. Capital Adjustment Account

2.1 The Capital Adjustment Account represents resources set aside to meet past expenditure.

3. Available-for-Sale Financial Instruments Reserve

- 3.1 This reserve is used to store gains on revaluation of investments not yet realised through sales.

4. Deferred Capital Receipts

- 4.1 Deferred capital receipts are amounts, usually derived from the sale of assets, to be received by instalments over agreed periods of time.

5. Usable Capital Receipts

- 5.1 These are proceeds from the sale of capital assets, which do not need to be set aside for the provision for credit liabilities (part of the Capital Adjustment Account).

The Central Bedfordshire Council Executive in July 2009 approved the set aside of £23 million of Mid Beds usable capital receipts in order to optimise the opening Capital Financing Requirement and Minimum Revenue Provision position of the new authority.

6. General Fund Reserve

- 6.1 This reserve represents the cumulative surplus of revenue income over revenue expenditure, which has not been set aside, in a specific reserve. It is used to support future years General Fund revenue or capital expenditure, and to protect the Council against unexpected events.

7. Earmarked Reserves

7.1 Details of the Council's earmarked reserves are as follows:-

	Balance at 1 April 2008	Transfer (to)/from Income & Expenditure Account	Balance at 31 March 2009
	£000	£000	£000
Promotion of Youth Participation	13	21	34
Promotion of Youth and Community Safety	5	5	10
Insurance Fund	16	(14)	2
Grant Aid Fund	121	20	141
Cemeteries Fund	101	(4)	97
Community Project Programme Fund	98	1	99
Village Investment Partnership Programme Fund	125	(21)	104
Legal Expenses Fund	72	25	97
Local Plan Fund	345	(230)	115
Public Consultation Fund	10	0	10
Emergency Planning Fund	2	(2)	0
Transportation Initiative	7	(7)	0
Housing Needs Survey Priority Needs	115	(29)	86
Homelessness	55	(11)	44
Elections Fund	108	(14)	94
HECA East Network	34	(32)	2
HMO Registration/Licensing	3	0	3
HR Consultants	23	(15)	8
Information Technology	87	(87)	0
Development Control Legal Expenses	56	43	99
DWP Verification Framework	26	(26)	0
Conservation Fund	51	(17)	34
Smoke - free Workplace	24	(24)	0
Building Control	45	(15)	30
Planning Retention /Development Fund	375	(187)	188
Energy Efficiency	12	0	12
Stock Condition Survey	51	0	51
Specialist Support Fund	125	(37)	88
Interest Equalisation	750	537	1,287
Benefit Subsidy Equalisation	750	688	1,438
SCRIBE	44	55	99
Sub Total	3,649	623	4272

	Balance at 1 April 2008	Transfer (to)/from Income & Expenditure Account £000	Balance at 31 March 2009 £000
DWP-HBSD /IAD Funding	3	(3)	0
Recycling Officer Funding	106	51	157
Lease Car Reserve	495	(151)	344
Home Improvement Agency	31	91	122
SNAP Dance	4	27	31
Safer & Stronger Communities	9	(9)	0
Bedford & Luton Resilience Forum	8	4	12
DWP Local Housing Allowance	61	(24)	37
DEFRA	120	153	273
Potton & District CLF Policy	(1) 0	1 13	0 13
Saxon Pool Profit Share	0	(13)	(13)
Biggleswade Recreation Centre	0	18	18
Sandy Profit Share Account	0	27	27
Crimebeat	0	12	12
Lottery	0	8	8
MEND Programme	0	30	30
Adp of Public & Open Space	0	449	449
Beds Conference Bureau	0	18	18
Total	4,485	1,325	5,810

- The **Promotion of Youth Participation and Promotion of Youth and Community Safety** was established in 2002/03 and relates to the Best Value Performance Plan for 3 years. Its aim is to involve the young citizens of Mid Beds in the decision making process and also to develop a transport strategy.
- The **Insurance Fund** is a sum set aside to cover potential insurance liabilities, mainly on buildings but the fund may also cover other areas. Mid Beds insures most of its risks with Zurich Municipal.
- The **Grant Aid Fund** provides grant aid to local organisations.
- The **Cemeteries Fund** provides financial assistance to Town and Parish Councils relating to existing burial ground facilities, which have become full or are nearing that state.
- The **Community Projects Programme (C.P.P)** and **Village Investment Partnership Programme (V.I.P.P)** Funds have been established to provide financial assistance to Town and Parish Councils in their efforts to make their villages/towns more secure, safe and pleasant places in which to live. Parish Councils/Meetings with a population up to 2,500 may apply for grant aid from the V.I.P.P Fund, and Towns/Parishes with

- The **Legal Expenses Fund** was established in response to possible calls on the Authority's finances in the future in relation to legal issues. This fund is reviewed annually.
- The **Local Plan Fund** was established to spread the cost of the Local Plan Inquiry over a number of years, rather than incur substantial expenditure in one financial year.
- The **Public Consultation Fund** is a fixed sum of money used annually for consultation exercises.
- The **Emergency Planning Fund** was set up in 2001/02 to help meet the costs arising from a situation regarded as a civil emergency. This may include a serious road traffic accident or flooding.
- The **Transportation Initiative** was established to provide an improved level of service covering all transportation issues within Mid Beds.
- The **Housing Needs Survey** holds contributions from Mid Beds preferred partner Housing Associations. The survey is being carried out to establish the need for affordable housing within the district.
- The **Priority Needs Homelessness** is funded by central government. It is specific funding aimed to reduce the usage of Bed & Breakfast accommodation.
- The **Elections Fund** was set up to spread the cost of the district elections over a four-year period thus removing the peaks and troughs in revenue expenditure.
- **HECA East Network** is an informal organisation of Home Energy Conservation Act officers covering the Eastern Region.
- **Houses in Multiple Occupation (HMO) Registration/Licensing** - This reserve was set up to incur future expenditure relating to HMO Registration and Licensing.
- **Human Resources (HR) Consultants** – This reserve consists of unspent revenue employee provision in 2006/07 and will be utilised on HR Consultants.
- **Information Technology** – Over recent years the Council has invested heavily in IT supplies and services. Expenditure has not necessarily followed original budget phasing, hence this reserve is required to 'equalise' the revenue spend between years to avoid any unnecessary burden on the General Fund.
- **Development Control Legal Expenses** – The fees in this area of activity can fluctuate significantly from year to year. This reserve has been created with a stable annual revenue contribution, which is kept under review, to equalise the revenue spend between years.
- **Department of Work and Pensions (DWP) - Verification Framework (VF)**- This represents monies received from DWP as grant towards the

- **Conservation Fund** – This reserve was set up to receive income from the Fairfield Hospital S106 agreement, in respect of specific funding for conservation expertise relating to works to the listed building and will be utilised towards that aim in due course.
- **Smoke - Free Workplace** - This represents specific grant received from the Government in respect of expenses associated with the smoke - free workplace legislation in July 2007.
- **Building Control** - Following a review of Building Control staffing resource and skills mix, this reserve was created from initial savings in the early years of the review to fund anticipated increases in future years as the skills and subsequent pay rates increase over the next 2-4 years. In addition the fund helps to equalise income fluctuations between years.
- **Planning Retention/Development Fund** - Following a review of the Planning Department staffing resources and skills mix, this reserve was created from initial savings to fund anticipated increases in future years as the skills and subsequent pay rates increase.
- **Energy Efficiency** - As part of the Governments' Energy Efficiency Commitment programme, Mid Beds receives £10 for each property that is insulated by the authority.
- **Stock Condition Survey** – A fund has been set up to provide sufficient funding to maintain an adequate register for the condition of the housing stock in Mid Beds. Annual contributions will be made to the fund to maintain a 'smoothing' impact on the revenue budget.
- The **Specialist Support Fund** was set up following the deletion of a further senior management post in 2006/07. The Fund recognises the need to fund human resources that will be needed due to reduced capacity at senior management level.
- The **Interest Equalisation Fund** was set up to 'smooth out' fluctuations in amounts of interest received in each financial year.
- The **Benefit Subsidy Equalisation** was set up to protect against the volatility of the Housing and Council Tax subsidy that can occur between financial years due in part to timing issues between payments being made and subsidy being received. It is proposed to work in a similar way to the Interest Equalisation Fund.
- **Sharing Community Related Information in Bedfordshire Electronically (SCRIBE)** – This project delivers a central, map based system which acquires and maintains information from a wide and diverse range of systems and organisations to allow disparate datasets to be viewed and analysed in conjunction with each other, to deliver business and operational benefits which are greater than the sum of the parts. This reserve has been set up to assist with the future development of this project.

- **DWP-HBSD/IAD Funding** – Funding has been given by the Department for Work and Pensions (DWP) to implement new software to enhance the statutory data exchange of the benefits caseload of this authority on a monthly basis to the DWP.
- **Recycling Officer Funding** – The Executive of 19 September 2007 resolved that external grant funding be utilised to facilitate the employment of two recycling support officers for a three year fixed contract.
- **Lease Car Reserve** – Following the review of the lease car scheme in January 2007 a Lease Car Reserve, funded from the General Fund, has been set up to cover the additional cost of lease cars in excess of budgeted expenditure. The fund was originally set up with £650,000 for costs incurred between 2007/08 and 2010/11. In the financial year 2008/09 a total of £151,000 of this fund was utilised.
- **Home Improvement Agency - The Home Improvement Agency (HIA)** provides guidance and assistance for grant claims that cover Disabled Facility Grant (DFG) and Home Improvement Grants (HIG) for claimants who opt to use its service.
- **SNAP Dance** – This is a sum of money held within the Authority's reserves used to promote youth activities throughout the district.
- **Safer & Stronger Communities** – holds the grant funding received from the Local Area Agreement (LAA). This grant relates to specifically identified projects.
- **Bedford & Luton Resilience Forum** – Is the sub-regional partnership of all the agencies that may respond to a Major Incident or Emergency. It aims to ensure that the communities of Bedfordshire and Luton are as resilient as possible to the consequences of an emergency situation or event. See www.blrf.org.uk for more information.
- **DWP Local Housing Allowance** – All new benefit claims from private tenants made from the 7 April 2008 are assessed under the Local Housing Allowance (LHA) regulations. The DWP has given all Local Authorities funding for new software, training, publicity and additional staffing costs.
- **DEFRA** – Contains specific grant received from the Department for the Environment, Food & Rural Affairs (DEFRA).
- **Potton & District CLF** – Represents the residual balance of committed expenditure for the Potton & District Community Liaison Forum.
- **Policy** – This was created to safeguard monies to assist with Climate Change Policy, which in light of the Local Government Reorganisation from 1 April 2009 had been put on hold.
- **Saxon Pool Profit Share Fund** - Mid Beds receives a share of any profit made by Stevenage Leisure Ltd, the contractor responsible for running Saxon Pool when it is in excess of what was originally anticipated for the year. Profit share funding can be spent as necessary on the facility provided it has been agreed with the Portfolio Holder and Head of

- **Biggleswade Recreation Centre** - See note for Saxon Pool Profit Share Fund as the same applies for this leisure facility.
- **Sandy Profit Share Account** - See note for Saxon Pool Profit Share Fund as the same applies for this leisure facility.
- **Crimebeat** - This funding was provided by Bedfordshire Police and Bedfordshire County Council in 2008/09. Mid Beds acts as co-ordinator for this project which is to tackle Anti Social Behaviour in the district.
- **Lottery** - This is a play project set up to provide equipment, staff time and a programme of events under 3 main headings Play Rangers, Creative Play and Natural Play. The funding covers a period of 3 years.
- **MEND Programme** - This is a Childhood Obesity Project set up to deliver a programme of 12 sessions over an 18 month.
- **Adp of Public & Open Space** - The balance in this fund represents a combination of amounts received by the Authority to maintain specific sites, usually over a period of 10 years. The amounts may also be referred to as 'Commuted Sums'.
- **Beds Conference Bureau** - This is a conference venue finding service ran by Mid Beds on behalf of all partnering councils in the area.

1. Net Revenue Cash Flow

	£'000	£'000
Net Deficit (see Income & Expenditure Account)	(7,760)	
Net Collection Fund Expenditure	120	
		(7,640)
Less: Internal Income		(11,253)
		(18,893)
Add: Parish Precepts	(3,585)	
Net Expenditure from Provisions	140	
Increase in Debtors	(563)	
Increase in Creditors	5,681	
Decrease in Stock and Stores	42	
Trading Deficit	(540)	
		1,175
		(17,718)
Less: Revenue Support Grant	993	
National Non-Domestic Rate Pool	7,131	8,124
Net Revenue Cash		(9,594)

2. Movements in Current Revenue Items

	31/03/2008 £'000	31/03/2009 £'000	Movement £'000
Sundry Creditors (revenue)	3,152		(3,152)
Sundry Debtors (revenue)	7,618		(7,618)
Stocks and Stores	44	2	(42)

3. Movement in Cash

	31/03/2008 £'000	31/03/2009 £'000	Movement £'000
Cash in hand, in transit and at bank	2,557	5,323	2,766

4. Movement in Cash Equivalents

	Investec £'000	Lime Fund £'000	Internal £'000
Bal B/Fwd 2008/2009	5,301	5,187	38,732
Bal C/Fwd 2008/2009	5,675	4,374	23,508
	(374)	813	15,224
Movement in Investment	374	(813)	0
Repayment	0	0	15,224
Total Repayment			15,224
BCCI Receipt			30
Total Movement in Liquid Resources			15,254

5. Cash Outflows on Capital Activities

	31/03/2008 £'000	31/03/2009 £'000	£'000
Total Capital expenditure			8,136
Movements in Capital creditors:-	256	157	99
			8,235

6. Management of Capital Resources

Liquid resources represent investments held with Fund Managers and short term deposits.	
The approved Treasury Management Policy relating to 2008/09 includes the following maximum limits:	
Term Deposits – Banks	Short term Fitch F1/B or better
Term Deposits – Building Societies	- £5m with Building Society AA Rated or better. -£3m with Building Society Rated A long term or better.
Certificates of deposits issued by Banks and Building Societies	As Term Deposits
Money Markets	'AAA'
UK Government Gilts	'AAA'
In light of the conditions in the financial markets, the council's investment strategy was further tightened during the course of the year. More details are included in the Treasury Management Review of 2008/09 reported to the Central Bedfordshire executive in July 2009.	
Investments at year end were only made with a limited range of institutions that had access to the government credit guarantee scheme (CGS)	

7. Analysis of Government Grants

	£'000
Capital	
Renovation Grants	449
Planning Delivery Grant	122
DEFRA	417
Disabled Facility Grant	48
Home Improvement Grants Contributions	21
	1,057
Revenue	
Residual Housing Defects Grant	9
Dept of Transport	214
Local Authority Business Growth Incentive	262
Housing & Planning Delivery Grant	253
	738

2008/09 COLLECTION FUND ACCOUNT

2007/2008 £000		2008/2009 £000	2008/2009 £000	NOTES
	INCOME			
66,656	Council Tax Collectable	70,133		2
<u>5,724</u>	Add: Council Tax Benefit	<u>6159</u>		
72,380			<u>76,292</u>	
28,308	Business Rates Collectable		29,987	3
0	Contributions to Fund Deficit by Precepting authorities		46	
<u>100,688</u>	Total Income		<u>106,235</u>	
	EXPENDITURE			
72,079	Council Tax: Precepts	76,343		4
63	Bad & Doubtful Debts: Written off	102		5
<u>(32)</u>	Increase/(Reduction) in provision	<u>13</u>		5
72,110			<u>76,458</u>	
537	Contributions from previous years estimated surplus balance		0	
28,084	Business Rates: Paid to National Pool	29,589		3
167	Costs of Collection	163		
154	Bad & Doubtful Debts: Written off	122		3
<u>(97)</u>	Increase/(Reduction) in provision	<u>113</u>		5
			<u>29,981</u>	5
<u>100,955</u>	Total Expenditure		<u>106,446</u>	
<u>(267)</u>	Addition/(Reduction) to Fund Balance in Hand		<u>(120)</u>	

COLLECTION FUND ACCOUNT BALANCE

2007/2008 £000		2008/2009 £000	NOTES
(491)	Deficit/(Surplus) Balance at 1 April	(224)	
<u>267</u>	Deficit/(Surplus) for the year	<u>120</u>	
(224)	Deficit/(Surplus) Balance at the end of the year	<u>(104)</u>	6

NOTES TO THE COLLECTION FUND ACCOUNT

1. General

1.1 This account represents the statutory requirements for Billing Authorities to maintain a separate Collection Fund, which shows the transactions of the Council as the Billing Authority in relation to Business Rates and Council Tax and illustrates the way in which these are distributed. The Fund is consolidated into the Council's accounts. The remaining Community Charge balances, being insignificant, are now treated as normal debtors and included in the debtors balance.

2. Council Tax

2.1 The Council is required to calculate a tax base each year and this is divided into the total precept requirement to produce the Band D Council Tax figure.

2.2 The tax base is calculated by estimating the number of dwellings in the District in each tax band, taking into account an estimate of additions and deletions during the year and adjusted for the effects of various reliefs, exemptions and discounts, where applicable.

2.3 Each band total is then adjusted to give band D equivalents. Finally, an adjustment is made to cover non-collection of arrears.

2.4 A summary of the calculation, as agreed by the Chief Financial Officer and Finance Portfolio Holder on 5 February, 2009, is shown below:-

Band	Number of Chargeable Dwellings	Ratio	Band D Equivalent
A	3,798	6/9	1,946
B	10,624	7/9	7,047
C	15,557	8/9	12,450
D	9,360	9/9	8,670
E	8,451	11/9	9,769
F	4,482	13/9	6,142
G	2,606	15/9	4,108
H	206	18/9	408
	Less allowance for non-collection		<u>252</u>
	COUNCIL TAX BASE		<u>50,288</u>

2.5 The tax base multiplied by the average band D tax for the year (£1,518.11) would have produced income amounting to £76,342,716. The income actually produced was £76,292,471.

3. Income from Business Ratepayers

- 3.1 Under the arrangements for uniform business rates, the Council collects National Non-Domestic Rates (NNDR) for its area, which are based on local rateable values multiplied by a national rate in the £. The total amount, less certain reliefs and other deductions, is paid to a Central Government Pool (the NNDR pool), which in turn pays back to councils their share of the pool based on a standard amount per head of resident population.
- 3.2 The total non-domestic rateable value at 31 March 2009 was £76,159,385 (2007/08, £78,719,630). The national non-domestic multiplier for the year was 46.2 per £ of rateable value (2007/08, 44.4p).
- 3.3 A Small Business Rate was introduced from 1 April 2005. The national non-domestic multiplier was per £45.8 or rateable value (2007/08, 44.1p).

4. Precepts and Demands

	<u>£000</u>
Bedfordshire County Council	56,497
Bedfordshire Police Authority	6,803
Beds & Luton Fire Authority	3,965
Mid Beds District Council	5,493
Parish Councils / meetings	<u>3,585</u>
	<u>76,343</u>

5. Provision for Bad & Doubtful Debts

- 5.1 Provision has been made on the basis of statistics of actual recovery percentages for previous years together with a reasonable estimate of recovery for 2008/09.

6. Collection Fund Balance Apportionment

- 6.1 The Collection Fund balance as at 31 March 2009 was a surplus of £104,438. When this is distributed to the three major authorities in 2009/10, the amounts applying to each is calculated as follows:

	<u>£'000</u>
Central Bedfordshire Council	88,982
Bedfordshire Police Authority	9,765
Beds & Luton Fire Authority	<u>5,691</u>
	<u>104,438</u>

1. 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 responsibility for the administration of those affairs (Section 151 of the Local Government Act 1972). The Director of Corporate Resources is the officer designated by Central Bedfordshire Council as the responsible officer.

The Authority is also required to manage its affairs to secure, economic, efficient and effective use of resources and to safeguard its assets.

The Authority has ensured that this Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations. The Statement of Accounts is submitted to Council for approval.

2. The Director of Corporate Resources Responsibilities

The Director of Corporate Resources is responsible for the preparation of the Council's Statement of Accounts which, in terms of the Code of Practice on Local Authority Accounting, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

In the preparation of the Statement of Accounts, the Director of Corporate Resources has: -

- Selected appropriate Accounting Policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Accounting Code of Practice;
- Ensured that proper accounting records are kept which are up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

Clive Heaphy, CPFA
Director of Corporate Resources
S151 Officer

Date

Annual Governance Statement 2008/09

1. SCOPE OF RESPONSIBILITY

Mid 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. Mid Bedfordshire 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, Mid 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.

Mid Bedfordshire District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website www.midbeds.gov.uk or can be obtained from:-

Mid Bedfordshire District Council,
Finance Department,
Priory House,
Monks Walk,
Chicksands,
Shefford,
Bedfordshire SG17 5TQ.

This statement explains how Mid Bedfordshire District Council has complied with the code and also meets 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. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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 and 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 Mid Bedfordshire District Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Mid Bedfordshire District

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:-

- **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

The Vision, which the Council has adopted, is: *To improve the quality of life in Mid Beds*. Of course, quality of life is a combination of many factors such as having a job, staying healthy and enjoying a safe & clean environment.

Recognising the need for clarity, the Council has set itself three aims, which are focused on what it can do to improve the quality of life for residents. These are: *To support our community; To care for the environment; and To deliver quality services*.

The Vision and Aims give us the long term framework for what we are trying to do. We need to translate this into more concrete objectives to guide our work. At Mid Beds we have five corporate objectives in place, namely:

To minimise waste, prevent and control pollution and encourage sustainability;

To help create a safer, stronger, healthier and more prosperous community;

To improve the delivery and responsiveness of Council services to our customers;

To champion community interests and ensure all sections have an opportunity to be involved/participate in decision making;

To ensure that the development of the district is in accord with the Local Plan.

Beneath these objectives are "High Level Targets (HLT's)" which are reviewed annually and which are the practical expression of our priorities for the coming year. These targets do not attempt to cover all aspects of our services, but are helpful in showing what is most important in the short and medium term.

The 12 High Level Targets were last reviewed in 2007 and are embedded within the corporate plan 2007-09. Because of the circumstances of the authority in terms of Local Government Reorganisation these targets set out our aspirations up to April 2009 when Central Bedfordshire Council comes into being.

The selection of areas as High Level Targets included consideration of a range of survey information to ensure that our priorities are consistent with public concerns. The full evaluation of this information, and the rationale underpinning the choice of targets, is included within the report to Executive of 21 November 2007.

The High Level Targets are communicated through circulation of the corporate plan (to all staff, members and key partners) and through Horizon Magazine to the public more broadly. They are also available through the Council's website.

- **Reviewing the authority's vision and its implications for the authority's governance arrangements**

The Council periodically reviews its Vision and Objectives and would ordinarily have done so following the election of the new administration in May 2007. However, in light of local government reorganisation, members agreed to retain the Mid Beds Vision un-amended until April 2009.

Governance arrangements, including Executive arrangements, Overview and Scrutiny and Audit Committee were unaltered during 2008/09. However, during the year Mid Beds streamlined the operation of its Executive and Overview & Scrutiny functions to reduce the number of meetings. This reflects the need to direct resources to establishing the new Council for Central Bedfordshire, including the establishment of a number of member task forces' and a shadow scrutiny committee.

The approach to policy and decision making is laid down in the Council's constitution, which sets down both decision-making arrangements and responsibilities for different functions. The service planning and budget process is integrated to ensure that clear links exist between corporate objectives, service plans and budgets to enable appropriate prioritisation to take place.

- **measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

The Council monitors performance information at regular intervals, to check that we are making progress with achieving our goals. Performance measurement is used to improve services to the public, and improve accountability, i.e. the results which are achieved for the resources that are used.

Measuring performance is the foundation upon which performance management is built, and helps us maintain focus on key priorities, and question areas of poor performance.

There are different types of performance measures:-

National Performance Indicators (NPIs) are required by law and reflect the government's priorities. These provide national comparisons of performance;

High Level Targets (HLTs) are set by Members and reflect our local priorities (some of which will also be national priorities). These align directly to our Corporate aims and objectives;

Local Performance Indicators (LPIs) are set by Directors through service planning, and reflect both local objectives and day-to-day management.

Members of the Council agree a budget at the beginning of each year. This is monitored by officers on a monthly basis to identify whether expenditure and income show any major variances. Budget monitoring reports are then presented to Management Team and the Overview and Scrutiny Committee on a quarterly basis. Using briefing books, which are published at various intervals, the Council can see how well it is delivering on its day-to-day services, and on the range of long-term plans and strategies, for example the Crime & Disorder Reduction strategy and the Sport and Physical Activity strategy.

A performance management software system (PB Views) is used across all divisions. This primary dataset is known as "Vital Signs" and consists of approximately 50 indicators. It is collated and presented quarterly to the Scrutiny committee, who hold the relevant Executive member (Portfolio Holder) to account for performance in their portfolio. The content of the Vital Signs data set was reviewed in March 2008. Management Team and Corporate Management Group receive bi-monthly presentations of performance data, based upon Vital Signs, but augmented with a selection of further indicators of interest to senior managers.

With regard to ensuring that services are delivered in a cost effective manner, the Council utilises cost comparison information provided by the Institute of Public Finance. This shows that the Council provides good value for money (both overall and within services). This was confirmed within the Council's corporate performance assessment carried out in 2007 and in the latest Use of Resources (VFM) assessment, whereby a scored judgement of 2 was assessed by the external auditors

- **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The Council Constitution lays down the roles and responsibilities of specific Officers, Members and Committees. It also lays down the delegation arrangements and protocols that both Officers and Members are expected to follow.

- **developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Part 5 of the Council's Constitution sets out the Code of Conduct expected of Council Members, together with various other codes and protocols. Following the changes to the Code in May 2007 training was rolled out to all Members of the District Council and also to Town and Parish Councils to ensure they were aware of the changes contained within the new Code. Training continues on an ad hoc basis as required.

Additionally, Members also have completed new Register of Interest forms, which were approved by the Ethics & Standards Committee, together with guidance in January 2008.

- **reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the**

The Council's Constitution, incorporating procedures, financial instructions, scheme of delegation, etc. underwent a review in 2006. Subsequently, areas of the Constitution are reviewed / updated as the need arises and suitable authorisation for such changes is obtained. The Financial Procedure Rules were revised in June 2006, to take account of a CIPFA "best practice" model. These are not intended to be reviewed on a cyclical basis. Instead their contents are reviewed / revised when, for operational reasons, it is deemed appropriate.

All the Council's financial records are governed by various computerised systems. It is for the system owners to ensure there are appropriate supporting procedure notes / manuals, that define how decisions are taken, and the controls required to manage the risks.

- **undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

The Council introduced a new Audit Committee in May 2007. Its Terms of Reference are set out in Part 3 of the Council's Constitution, and are broadly in accordance with the CIPFA guidance document. The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

- **ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council has designated the Director of Corporate 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. The Council has agreed a constitution, which sets out how the Council operates, how decisions are made, and the procedures, which are followed to ensure that these are efficient, transparent and accountable to local people. The Monitoring Officer will report to full Council, or to the Executive in relation to an Executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

The Council has designated the Chief Finance Officer as the s151 Officer. This Officer has the specific statutory responsibility to ensure the proper arrangements of the authority's financial affairs, and to set the financial management standards and to monitor compliance with them. This is achieved through compliance with Financial Procedure Rules, as laid down in the constitution. This is the framework to be followed, and applies to every Member and Officer of the Council, and anyone acting on its behalf. The Chief Finance Officer will report any breaches of these rules to the full Council and the Executive. The Chief Finance Officer will report to full Council, or to the Executive in relation to an Executive function and the Council's External Auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful

The Council maintains an Internal Audit Section. It is the role of the auditors to assist management, by reporting compliance with the Council Financial Procedure Rules as laid down in the constitution.

The Council is fully committed to the principles of good corporate governance. This is demonstrated through the measures outlined within a Corporate Governance - Code of Practice, which was revised in March 2008, and the many documents / processes already in place. Regular reviews against a CIPFA/SOLACE checklist are carried out. The results having been reported to our Audit Committee are then published on the Mid Beds web-site.

Councillor's review proposed changes to the policies and procedures. The Audit Committee approves the Anti Fraud and Corruption Policy, and related policies, and monitors the operation of those codes and practices.

The Chief Executive has overall responsibility for ensuring that risks are effectively managed within the Council. The Management Team act as the Council's co-ordinating group on Risk Management, rather than having a separate group established. All Directors of Services and the Chief Finance Officer, in conjunction with their staff have identified, analysed and profiled their operational risks. These operational risks have been identified in risk registers and the operation of controls to mitigate the risks to an acceptable level. Management at all levels are responsible for establishing the internal control environment, ensuring staff comply with controls. The Internal Audit section assists Management, by reviewing operations in accordance with an audit plan, to confirm compliance with procedures / controls and recommending further improvements where necessary. A control environment statement was included in every audit report issued. The Directors of Services signed off Risk Assurance and Internal Control Assurance Statements. This enabled a wider impression of the risk and control environment to be given.

- **whistle-blowing and for receiving and investigating complaints from the public**

The Whistle-blowing Code was reviewed by the Council's Ethics and Standards Committee on 6 December 2006. Complaints under this Code are investigated by the Monitoring Officer. There have been no complaints this year.

In addition, a formal procedure operates for complaints received from members of the public. The results of which are reported quarterly to the Ethics and Standards Committee.

- **identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

All Officers' undertake a Personal Development Review on a six monthly basis. Part of which, is to determine any development / training needs necessary to enable Officers to be more effective when carrying out their roles and responsibilities.

A training programme is developed for Members to follow, including extensive induction programme for new Members.

- **establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council, as part of a county wide consortium, operates a resident's panel (BedsVoice) which is used as a sounding board for consultation purposes. This is supplemented by a range of "subject specific" consultations carried out in a way which fits the particular needs. In the last year, issues which have been subject to consultation have included waste and recycling.

The Council also undertakes sector specific consultation exercises and in the last year this has included direct consultation with the transgender community and with disabled people. This combination of approaches ensures that we understand and communicate with our stakeholders in a comprehensive manner.

- **incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

Management Team identified the significant partnerships with which we are involved. Assurance reporting arrangements includes reporting on the governance arrangements of our significant partnerships. This information is incorporated into our overall governance arrangements e.g. in accordance with our local code of governance.

4. REVIEW OF EFFECTIVENESS

Mid Bedfordshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the Management Team within the authority, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by appropriate Officers, external audit, other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the governance framework, is as follows:-

- **The Council** – This is the body that consists of 53 Members and which exercises all its powers and duties in accordance with the law and Constitution. Article 4 of the Constitution sets out its role, including its functions.
- **The Executive Committee** – This is the body responsible for the majority of day-to-day decisions. The Executive can only take decisions, which are in line with the Council's Budget and Policy Framework. If it wishes to make a decision that is outside the Budget or Policy Framework, this must be

referred to the Council as a whole to decide. As a control mechanism, there is a procedure to allow decisions made by the Executive, but not yet implemented to be “called in” for review by the Scrutiny Committee. A detailed “call-in” scheme is appended to the Overview and Scrutiny Procedure Rules in the Constitution and sets out the provisions governing the “call-in” of Executive decisions. No “call-ins” were made during 2008/09. The Executive consists of the Leader, who is elected by the Council, together with at least six but not more than nine Councillors who are appointed by the Leader. The Leader has the authority to determine the Portfolio structure of the Executive and to allocate Portfolios to individual Members of the Executive. The Portfolio Holders work closely with the Directors of Services responsible for the operational activities within the Portfolio. Regular meetings of the Management Team, Directors of Services and Portfolio Holders are held to ensure co-ordination of corporate and operational objectives. Portfolio Holders are accountable, on behalf of the Executive, in respect of the Portfolio and are responsible for presenting reports and recommendations at meetings of the Executive, justifying proposals and responding to questions. They are also accountable to the Overview and Scrutiny Committees and the Council, as appropriate.

- **The Audit Committee** – This Committee oversees our corporate risk management and governance arrangements, receiving regular updates. This helps to ensure our arrangements are effective, and in accordance with approved strategy and policy documents. The Anti Fraud and Corruption Policy was last reviewed / updated December 2007. The Council continues to have a very low instance of fraud and corruption, supported by these documents. All these documents are available to both Officers and Members of the public on the Mid Beds web site.

An assessment of the effectiveness of the Audit Committee was carried out, against a CIPFA Audit Committee checklist in January 2009. There were no significant issues highlighted, and no action plan was proposed, partly due the decision to supersede Mid Bedfordshire District Council with Central Bedfordshire Council from April 2009.

- **The Overview and Scrutiny Committees** – The Council introduced revised Overview and Scrutiny arrangements with effect from April 2005, with the aim of establishing an influential overview and scrutiny function, which adds value to the Council. The Overview Committee assists the Executive and the Council in the development and review of its Budget and Policy Framework and other policies and strategies by in-depth analysis of policy issues. The Scrutiny Committee reviews and scrutinises decisions and performance in relation to the Council’s policy objectives, performance targets and/or particular service areas. A further Constitutional review was conducted during early 2006, where a number of minor adjustments were made to the Council’s call-in scheme. These revised overview and scrutiny arrangements are acknowledged as a success.
- **The Ethics and Standards Committee** - The Council acknowledged the increase in workload for the Ethics and Standards Committee following the introduction of the new local regime which deals with complaints received in relation to Members’ conduct. The Standards Board for England previously dealt with these. The constitution was amended to set up the necessary Sub-Committees to deal with the process and these have met. Additionally, the new monitoring of performance regime required by the Standards Board for England has been implemented.

- **Internal Audit** – It is not feasible for all activities, in all divisions, to be reviewed by Internal Audit on an annual basis, nor would it be cost effective to do so. The Audit Manager prepares an annual audit plan in accordance with the audit strategy and based upon an assessment of those areas to be reviewed and the anticipated audit resources needed to complete the plan. This audit plan is then reviewed and approved by the Chief Finance Officer (s151 Officer) and reported to the Audit Committee for information.

For each audit review, a brief is developed, with auditee management. Sample testing is performed to test that controls laid down by Management are working as expected, highlighting risks and making recommendations for improvements in the audit report.

A copy of the audit report is issued to the relevant Director of Service, s151 Officer and Service Manager. This report includes recommendations for improvements that are included within an action plan and require agreement or rejection by Service Managers.

Each audit report contains the auditors' assessment of the internal control environment operating over areas reviewed. This is based upon the number and significance of the recommendations made. An executive summary of the audit findings / control environment is issued to Management Team, as part of the reporting process. Copies of the executive summaries of all audit reports are available to Audit Committee Members, if required.

The Auditor carried out all eleven "fundamental" reviews planned to be completed in the year, supplemented with five "other" reviews. The Audit Manager is pleased to report that "Satisfactory" and above controls have been introduced by auditee management in the areas audited, and these controls were working as expected. This was an overall improvement of the control environment in the areas reviewed, when compared to 2007/08.

All audit reports are routinely followed up, to determine whether agreed audit recommendations have been suitably addressed. In September 2008, all agreed recommendations made in audit reports issued between July 2007 and June 2008 were followed up. The Audit Committee were subsequently informed that all 17 agreed recommendations had been suitably addressed. No subsequent follow-up work has been carried out.

No formal effectiveness review of our processes against the CIPFA Code of Practice for internal audit in local government has been carried out. However, the Audit Manager, is broadly satisfied that internal audit still complies with the latest CIPFA Code of Practice.

To obtain customer feedback on the Internal Audit service provided, an end of year questionnaire was sent to the Directors, Chief Executive and Members of the Audit Committee, as our main stakeholders. The feedback received indicates the auditors continue to provide a useful role, which adds value to MBDC.

Information from the audit reviews undertaken; the follow up of agreed audit recommendations; and other assurance statements obtained enabled the Audit Manager to issue an opinion that the overall adequacy and effectiveness of Mid Bedfordshire District Council Internal Control

- **Other explicit reviews / assurance mechanisms**

Other assurance mechanisms include the annual Direction of Travel report from external auditors and included within the Audit and Inspection Letter presented to Members. The 2007/08 report was positive and highlighted no significant issues of concern in respect of the performance of the authority.

Corporate Governance Arrangements

Mid Beds District Council is committed to having sound Corporate Governance arrangements. A Local Code of Governance both approved and displayed on the Mid Bedfordshire District Council web site assists in achieving this aim.

Senior Officers met in September 2008 and January 2009 to score our governance arrangements against a CIPFA / SOLACE checklist. This checklist includes risk management and internal control, and an action plan is noted to deal with any issues identified. Officers concluded that there is a strong regulatory framework of control, with robust arrangements for monitoring and review. The results noted on the checklist were reported to Management Team and then onto the Audit Committee (who oversee governance arrangements) prior to being published on the Mid Bedfordshire District Council website.

As part of the assurance process, relevant Officers prepared “Significant Partnership Assurance Statements”. This required Officers to indicate whether satisfactory governance arrangements were in place. These assurance statements were prepared by appropriate Officers and endorsed by the relevant Director or Member, to indicate that the statement contents agreed with their knowledge. Action plans were recorded to address any issues identified as part of the assurance statement process.

The governance arrangements for all four significant partnerships were reported as “Satisfactory”.

However, detailed information about the governance arrangements of these significant partnerships has not been obtained to confirm statements made are accurate.

Corporate Risk Management Arrangements

The Council has designated the Chief Executive, Deputy Chief Executive, four Directors and the Chief Finance Officer as its Management Team. Part of the function of Management Team is to identify Corporate Risks; to review the Corporate Risk Register on a quarterly basis; to agree risk scores and actions where required to reduce the risks to an acceptable level. The risk register results were reported to the Audit Committee (who oversee risk arrangements) prior to being published on the Mid Bedfordshire District Council website.

The Corporate Risk Register was reviewed three times during the year (June, September and December 2008) and the scores awarded were appropriate to the risks identified. The fourth review, planned for the end of March 2009 did not occur, as it was determined to be of little benefit, due to the fact that Mid Bedfordshire will cease after 31st March 2009.

These Risk Management arrangements enabled a Corporate Risk Assurance Statement to be issued. This indicated: - that all significant risks have been identified; and the scores awarded were appropriate to the risks identified. There were no Corporate Risks identified (at any time) that were awarded a residual score that needed urgent action to reduce the risk to an acceptable level. This Corporate Risk Assurance Statement has been further strengthened, by obtaining the endorsement of the Leader of the Council, to indicate that the statement content agrees with her knowledge.

The risks of our significant partnerships failing are recorded on the Corporate Risk register. All were reported to be at low risk of failing during the year.

As part of the assurance process, relevant Officers prepared "Significant Partnership Assurance Statements". This required Officers to indicate whether satisfactory risk management arrangements were in place. These assurance statements were prepared by appropriate Officers and endorsed by the relevant Director or Member, to indicate that the statement contents agreed with their knowledge. Action plans were recorded to address any issues identified as part of the assurance statement process.

The risk management arrangements for all our significant partnerships were reported as "Satisfactory", apart from the Beds Community Safety Partnership. Officers have indicated that satisfactory arrangements will be put in place, post March 2009 for the new partnership.

Operational Risk Management Arrangements

The Deputy Chief Executive, four Directors and the Chief Finance Officer were able to issue Operational Risk Assurance Statements. This was a result of operational risk registers being in place for service areas. They confirmed that the risk registers had been reviewed at least twice during the year, and the scores awarded are appropriate to the risks identified. They gave an assurance that all significant operational risks for which they are responsible have been identified and recorded in operational risk registers.

Any Operational risks that were awarded a residual score of 7, 8 or 9 (any time during the year) were identified, together with actions taken or proposed, to reduce the risk to an acceptable level. In addition, such risks were reported to Management Team with the Corporate Risk Register, so they are aware, and can monitor / ensure that appropriate action is taken to reduce the identified Operational risk(s) to an acceptable level. The Operational Risk Assurance Statements have been further strengthened, by obtaining the endorsement of the relevant Portfolio Holders, to indicate that the statement contents agree with their knowledge.

Internal Control Arrangements

The Deputy Chief Executive, four Directors and the Chief Finance Officer completed Internal Controls "Service" Assurance Statements. This was achieved by Officers carrying out a "Service" Assurance Assessment of Internal Controls.

In some Directorates, more than one service assurance statement was produced. The vast majority of these statements indicated a "High" assurance rating was determined. This helps indicate that appropriate internal controls were in place and were operating to reduce significant operational risks, to an acceptable level. There were only two areas e.g. Environmental and Planning; and Customer Services, where only a "Medium" assurance rating was determined.

Where appropriate, actions taken or proposed to resolve identified control issues have been recorded on these assurance statements. For example, within the Finance area, concerns were raised about IT and Office inventory records, given the high levels of activity in these areas concerning the implementation of Central Bedfordshire. Finance Officers recommended that physical inventory checks be carried out to ensure that the new authority has an accurate record of the assets transferred to it. In view of the practical difficulties due to local government re-organisation, the Chief Finance Officer has determined a 10% check be carried out prior to 31st March 2009. These Internal Control "Service" Assurance Statements have been further strengthened, by obtaining the endorsement of the relevant Portfolio Holders, to indicate that the statement content agrees with their knowledge.

Director of Corporate and Democratic Services

The Director of Corporate and Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. A comprehensive review of the Constitution occurred during 2004/05, following detailed consideration by an Overview and Scrutiny Task Force. A further review was conducted during 2005/06 to consider whether revised political management structures had achieved the aims set in amending the Constitution. As a result of the review some further amendments were approved for implementation during 2006/07 including increasing the number of independent persons serving on the Ethics and Standards Committee and making provision for the Committee to be chaired by one of the independent persons. The Constitution remains under constant review with reports recommending revisions being submitted to the Council as necessary.

Members/Senior Officers have access to appropriate training to ensure continued development and support of their needs.

The Monitoring Officer is of the opinion that arrangements for Mid Beds District Council to be in compliance with established policies, procedures, laws and regulations were "Satisfactory" and operated throughout the financial year.

Chief Finance Officer

The Chief Finance Officer (the s151 Officer) has a duty to make suitable arrangements for the proper administration of the financial affairs of the Council. This is achieved via Financial Procedure and Procurement Procedure rules, which all Officers and Members of the Council have a responsibility to adhere to. These rules were fully updated in June 2006 in line with the CIPFA model, with minor changes being made during 2007/08, for operational reasons. These rules provide a strong control environment, which Officers continue to follow. No significant breaches of these rules occurred during the year. Technical breaches did occur, but none warranted disciplinary action being taken.

The latest "Use of Resources" assessment, and personal knowledge enabled the s151 Officer to issue the following statement to the Council: - that the financial accounting and reporting arrangements for Mid Beds District Council were "satisfactory" throughout the financial year. The arrangements to plan and manage its finances for Mid Beds District Council were also "satisfactory" throughout the financial year. In addition, the arrangements to safeguard the financial standing for Mid Beds District Council was "satisfactory" throughout the financial year. The internal control environment for Mid Beds District Council was "satisfactory" throughout the financial year, to enable it to manage its significant business risks.

Corporate Policy Manager

The Corporate Policy Manager is of the opinion that "Value for Money" arrangements were "Satisfactory". This assessment is largely based upon the latest Use of Resources (VFM) assessment, whereby a scored judgement of 2 was assessed by the external auditors, and the "good" outcome of the Council's 2007 comprehensive performance assessment.

Also, performance reporting arrangements were "Satisfactory" throughout the financial year. This assessment is based upon the production of regular performance reports, the ongoing use of Actuate software i.e. PBViews to monitor performance; an unqualified audit opinion for the Council's best value performance plan and performance indicators; and an adequate score for the external audit of the Council's data quality arrangements.

The Council has in place a Policy and Performance Improvement team, who monitor and regularly report performance achieved to Members and Management Team against targets set. Members and Managers have confidence in the accuracy of data being reported to them. The Audit Commission's annual audit of data quality showed that management systems were adequate, with no performance indicators reserved or qualified.

Systematic monitoring and review of performance is firmly embedded. Evidence lies in:-

Comprehensive service planning, linked to the budget;

Performance, including targets, is discussed at team meetings;

Director/Portfolio Holder meetings;

In 2008 the Audit Commission examination of "Use of Resources" concluded that the Council's arrangements, including value for money was adequate, scoring 2 out of 4.

Emergency Planning Officer

The Emergency Planning Officer is of the opinion that the arrangements to comply with the Civil Contingencies Act, during the year were "satisfactory". This assessment is largely based upon personal knowledge, plans of capability, exercises and training arrangements in place, and positive feedback received from Elected Members.

Mid Beds Crisis Management plan was activated in 2008 for minor incidents – some examples include reacting to burst water mains, and a potential fuel dispute.

It was agreed at Management Team in April 2008 that in light of Local Government Reorganisation the existing arrangements would continue 'as is' until April 2009. Whilst there has been some reduction in numbers of trained Flood Team members, this was accepted in light of Local Government Reorganisation and is mitigated by the provision of mutual aid by the new Bedfordshire County Council flood team who will work under Mid Beds' direction.

The partnership arrangements within the Local Resilience Forum remain strong with good results on the government's 2008 National Capability Survey, and positive feedback from the Government Office when comparing across the East of England.

The controls put in place included:-

Mid Beds' Crisis Management plan in place, last revised November 2007;

Divisional Business Continuity Plans in place, last revised July 2008;

Plans stored securely off-site with Emergency Contacts List (last revised January 2009), Next of Kin details and all officer home contact details updated (last revised July 2008 – technical problem with Snowdrop being resolved to provide final update);

39 Officers issued with Mid Beds Crisis Management Plan;

Ten trained 1st Responders;

Ten trained members of Flood Team, last trained and exercised November 2008;

Plans last exercised in November 2008 (major Local Resilience Forum exercise);

BCM programme to April 2009 signed off by Management Team in April 2008. This included approval of updated Business Impact Analysis and Business Continuity strategies for accommodation, Information Technology and contractors; and increasing cover under SunGard IT Disaster Recovery contract in light of Business Impact Analysis.

External Audit

Other assurance mechanisms include the annual Direction of Travel report from external auditors and included within the Audit and Inspection Letter presented to Members. The 2007/08 report was positive and highlighted no significant issues of concern in respect of the performance of the authority.

TO CONCLUDE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by a group of senior officers and the audit committee, who conclude that a detailed plan to address weaknesses and ensure continuous improvement of the system is not required. The review of local government in Bedfordshire has determined that Mid Bedfordshire District Council will be superseded, as part of a new Authority Central Bedfordshire, to be set up from April 2009. Officers' attention and efforts during 2008/09 were targeted at creating sound governance arrangements for this new authority while ensuring that established systems operating in Mid Beds continued to function effectively in Mid Beds' final year.

5. SIGNIFICANT GOVERNANCE ISSUES

In last year's Annual Governance Statement, no significant governance issues were identified, where further improvements could be made to the control environment.

Following a review of our governance arrangements for 2008/09, the following significant control issues were identified, where areas of improvement are needed for the new Council:-

Ethical training for all staff needed.

Training for members of the Audit Committee in terms of role and responsibility is needed.

Risk Management training is appropriately aimed at all staff.

Governance arrangements to be defined and implemented.

No action plan is shown for the governance issues identified above, as it felt inappropriate to record actions for a new Council to implement. Instead, these issues are shown for the new Council to consider and action as deemed necessary.

P Turner MBE
Leader

J Salisbury
Chief Executive

Dated

Dated

GLOSSARY OF ACCOUNTING TERMS

<i>Accrual</i>	Expenditure or income of goods or services that have been received or supplied, but are not invoiced until the following financial year.
<i>Actuarial Gains or Losses</i>	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: (a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), and (b) The actuarial assumptions have changed.
<i>Balances</i>	Accumulated surpluses in hand, which are held to meet expenditure pending the receipt of income, and provide a cushion against expenditure being higher or income lower than expected.
<i>Capital Expenditure</i>	Expenditure on the acquisition of a fixed asset, or which adds to and not merely maintains the value of an existing fixed asset.
<i>Capital Receipt</i>	Proceeds from the disposal of buildings or other assets, which cannot be used to finance normal day-to-day revenue spending.
<i>Cash - flow</i>	Literally the amount of cash flowing into or out of an Organisation during a specific period of time.
<i>Contingent Liability</i>	A contingent liability is either: (a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or (b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
<i>Corporate and Democratic Core</i>	Corporate and democratic core comprises of all the activities, which local authorities engage in specifically because they are all elected, multi – purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.
<i>Current Service Cost (Pensions)</i>	The increase in the present value of a defined scheme's liabilities expected to arise from employee service in the current period.

Creditor	Individuals or Organisations to whom the Council owes money.
Debtor	Individuals or Organisations who owe the Council money.
Defined Benefit Scheme Depreciation	<p>A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (included notionally funded).</p> <p>The measure of the cost, or the latest value of the benefits of the fixed asset that have been consumed during the period.</p> <p>Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, the passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.</p>
Discretionary Benefits	Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.
Expected Rate of Return on Pension Assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Fixed Assets	Tangible assets that yield benefits to the Council for a period of more than one year.
Government Grants	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority,
Impairment	Impairment occurs where the recoverable amount of a fixed asset is lower than the carrying value amount. The recoverable amount is the higher of net realisable value (i.e. what the asset can be sold for) and value in use (i.e. value to the business of using the asset to provide services, expressed as net present cash flows). Value in use is not a meaningful concept in local authorities, where fixed assets are acquired to provide a range of services and the benefits cannot be expressed in cash flow terms. The carrying value is the net book value of the asset.

Leases – Finance

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90 per cent or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit in the lease. However, where the present value of the minimum lease payments does not amount to 90 per cent or more of the fair value of the lease asset, it should not be automatically assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an Asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than the legal title) to the lessee.

Leases – Operating

A lease other than a finance lease.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

An amount determined by another local authority, police and fire authority (*the major preceptors*), and a parish council or meeting, which is collected on its behalf by the District Council (*the charge authority*) as part of the Council Tax. The precept is allocated between the major preceptors and the charging authority on the basis of their spending requirements in relation to the charge authority's Council Tax base.

Prepayments (Payments in Advance)

Sums paid out in one financial year for the benefit of a future period.

Provision

Amounts set aside for any liabilities or losses which are likely to be incurred, but are uncertain as to the amounts or dates on which they will arise.

Related Parties Transactions

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

- 1) the purchase, sale, lease, rental or hire of assets between related parties

- 2) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund
- 3) the provision of a guarantee to a third party in relation to a liability or obligation of a related party
- 4) the provision of services to a related party, including the provision of pension fund administration services
- 5) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Reserves

Amount set aside for specific purposes falling outside the definition of provisions.

Revenue Expenditure

Day to day running costs incurred in providing services.

Revenue Support Grant (RSG)

A grant paid by Central Government to support Local Authority services in general, which is based on the Standard Spending Assessment.

Rule of 85 Age

The date on which the sum of-

- (a) the members age in whole years on the date his local government employment ends or the date he elects for payment, if later,
- (b) his total membership in whole years, and
- (c) in a case where he elects after his local government employment ends, the period beginning with the end of that employment and ending with the date he elects for payment or the date he elects for payment, equals 85 years.

The rule of 85 can be reached prior to age 60, however benefits can only be paid prior to the age 60 if the employer permits it. Therefore generally for all our calculations, we assume a minimum of age 60 for the rule of 85.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date.

Settlement

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump – sum cash payments to scheme members in exchange for their to receive specified pension benefits
- (b) the purchase of an irrecoverable annuity contract sufficient to cover vested benefits, and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale
- (b) consumable stores
- (c) raw materials and components purchased for incorporation into products for sale
- (d) products and services in intermediate stages of completion
- (e) long – term contract balances, and
- (f) finished goods

Surplus

Excess of income over expenditure, in a given time period, for a not for profit making organisation.