

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



**TO EACH MEMBER OF THE AUDIT COMMITTEE**

27 October 2009

Dear Councillor

**AUDIT COMMITTEE - Friday 30 October 2009**

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

8. Bedfordshire County Council Statement of Accounts 2008/09

Should you have any queries regarding the above please contact Democratic Services on Tel: 01234 228857.

Yours sincerely

Devina Lester,  
Senior Democratic Services Officer  
email: [devina.lester@centralbedfordshire.gov.uk](mailto:devina.lester@centralbedfordshire.gov.uk)

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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)
<b>Total Service Expenditure</b>	<b>236,088</b>	<b>235,495</b>	<b>(593)</b>

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 8)

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*

The face of the balance sheet shows no major movements in the overall level of debtors and creditors. However, the creditors balance includes a £10.5m creditor with Mid Bedfordshire District Council in respect of transition costs. This offsets a large reduction in other creditor balances that has been achieved due to conscious efforts to make payments before the demise of the authority.

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 £27m to £242m 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 (page 20)

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 48 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 (17.4%) 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 68)

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 [indirect](#)

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.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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 account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, 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.

## **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:



- Buildings Property life (as advised by our Estate Managers)
- Plant and Equipment up to 10 years
- Infrastructure 30 years
- Vehicles up to 10 years
- Furniture and Equipment 5 years
- Personal Computers 4 years
- Intangible Assets 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
<b>Discontinued Operations</b>			
9,195 Central Services	16,842	(2,927)	13,915
519 Court Services	763	(252)	511
29,625 Culture, Environment and Planning	50,579	(9,847)	40,732
77,301 Children's Services	705,090	(378,731)	326,359
25,635 Highways, Roads and Transport	37,330	(5,658)	31,672
701 Housing Services	8,772	(7,128)	1,644
77,053 Adult Social Care	133,392	(38,090)	95,302
0 Exceptional Costs of LGR (note 3)	10,503	0	10,503
<b>220,029 Total Discontinued Operations</b>	<b>963,271</b>	<b>(442,633)</b>	<b>520,638</b>
<b>Other Operating</b>			
8,671 Gain or Loss on disposal of fixed asset	70,735	0	70,735
(961) Precepts and Levies	252	(2,264)	(2,012)
818 Trading Account Surpluses and Deficits	2,237	(2,369)	(132)
12,209 Interest Payable	11,907	0	11,907
(5,597) Interest and Investment Income	0	(3,864)	(3,864)
4,880 Pensions Interest & Return on Assets	35,556	(26,140)	9,416
<b>240,049 Net Operating Expenditure</b>	<b>1,083,958</b>	<b>(477,270)</b>	<b>606,688</b>
<b>Principal Sources of Finance</b>			
0 Area Based Grant	0	(17,340)	(17,340)
(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)
<b>18,857 (Surplus)/Deficit for the year</b>	<b>1,083,958</b>	<b>(730,697)</b>	<b>353,261</b>

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
<b>(33,836)</b>	<b>Grand Total</b>	<b>(354,280)</b>

**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
<b>11,555</b>	<b>Grand Total</b>	<b>12,073</b>

**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)
<b>3,411</b>	<b>Grand Total</b>	<b>(1,854)</b>

**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	353,261
(18,870)	Amount required by statute and non-statutory proper practices to be attributed to the General Fund	(344,061)
(12,715)	General Fund b/f	(12,728)
<b>(12,728)</b>	<b>General Fund Balance c/f</b>	<b>(3,528)</b>

**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	(3,528)
<b>(12,728)</b>	<b>Grand Total</b>	<b>(3,528)</b>

**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.

<b>2007/08</b> <b>£'000</b>		<b>2008/09</b> <b>£'000</b>
(18,857)	Surplus or (Deficit) on the Income and Expenditure Account for the Year	(353,261)
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	0
58,638	Actuarial Gains and Losses on Pension Fund Assets and Liabilities	(57,063)
0	Any Other Gains and Losses for the Year	0
<b>76,107</b>	<b>Total Recognised Gains and Losses for the Year</b>	<b>(392,552)</b>
850	Prior Year Adjustments	776
<b>76,957</b>	<b>Restated Total Recognised Gains and Losses for the Year</b>	<b>(391,776)</b>

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
	<b>5,218</b>		<b>4,607</b>
	<b>Intangible Assets</b>		
	<b>Tangible Fixed Assets</b>		
1,033,750	Land and Buildings	719,426	
178,046	Infrastructure	207,918	
7,572	Vehicles, Plant, Furniture and Equipment	7,314	
2,010	Community	2,105	
	<b>1,221,378</b>		<b>936,763</b>
	<b>Operational assets</b>		
36,892	Investment Properties	48,247	
47,811	Assets Under Construction	53,789	
285	Surplus Assets, held for disposal	237	
	<b>84,988</b>		<b>102,273</b>
	<b>Non-Operational assets</b>		
6,341	Long Term Investments		1,279
38,439	Long Term Debtors		12,365
	Deferred premiums on early repayment of debt		
	<b>1,356,364</b>		<b>1,057,287</b>
	<b>Total Long Term Assets</b>		
164	Stocks and Works in Progress	61	
37,574	Debtors	39,025	
92,637	Investments	36,874	
7,956	Cash and Bank	34,544	
<b>138,331</b>	<b>Total Current Assets</b>	<b>110,504</b>	
(411)	Borrowing repayable on demand or within 1 year	(2,301)	
(67,902)	Creditors	(67,211)	
<b>(68,313)</b>	<b>Total Current Liabilities</b>	<b>(69,512)</b>	
	<b>70,018</b>		<b>40,992</b>
	<b>Net Current Assets / Liabilities</b>		
	<b>1,426,382</b>		<b>1,098,279</b>
	<b>Total Assets less Current Liabilities</b>		
	<b>Long-term liabilities</b>		
(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	(16,098)	
(12,333)	Contributions Unapplied	(12,487)	
(149)	Investment Funds	(158)	
	<b>897,550</b>		<b>505,774</b>
	<b>Total Assets less Liabilities</b>		
	<b>Reserves and Balances</b>		
(955,011)	Capital Adjustment Account **	(612,177)	
(30,366)	Revaluation Reserve	(48,740)	
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	(3,528)	
(12,065)	Schools' Reserves	(14,022)	
(20,518)	Other Earmarked Reserves	(16,707)	
<b>(897,550)</b>	<b>Total Net Worth</b>	<b>(505,774)</b>	

**9) CASH FLOW STATEMENT**

2007/08			2008/09	
£'000	£'000		£'000	£'000
	<b>(22,808)</b>	<b>Net cash (inflow)/outflow from revenue activities</b>		<b>386</b>
		<b>Return on Investments &amp; Servicing of Finance</b>		
		<b>Cash Outflows</b>		
10,290		Interest paid	8,767	
		<b>Cash Inflows</b>		
(4,504)		Interest received	<u>(4,063)</u>	
	<b>5,786</b>			<b>4,704</b>
		<b>Capital Activities</b>		
		<b>Cash Outflows</b>		
0		Other Capital Cash Payments	1,484	
82,525		Purchase of fixed assets	<u>62,988</u>	
	<b>82,525</b>			<b>64,472</b>
		<b>Cash Inflows</b>		
(13,302)		Sale of fixed assets	(1,587)	
(49,250)		Capital grants and contributions	(24,851)	
(9,647)		Other capital cash income	<u>(12,559)</u>	
	<b>(72,199)</b>			<b>(38,997)</b>
	<b>(6,696)</b>	<b>Net cash (inflow)/outflow before financing</b>		<b>30,565</b>
		<b>Management of Liquid Resources</b>		
	<b>18,500</b>	Net Increase (decrease) in Short Term Deposits		<b>(55,000)</b>
		<b>Financing</b>		
		<b>Cash Outflows</b>		
	<b>12,012</b>	Repayments of amounts borrowed		<b>0</b>
		<b>Cash Inflows</b>		
(32,000)		Long-term loans (raised)/ repaid	(2,153)	
0		New short term loans	<u>0</u>	
	<b>(32,000)</b>			<b>(2,153)</b>
	<b>(1,488)</b>	<b>Net cash (inflow)/outflow from financing</b>		<b>(57,153)</b>
	<b>(8,184)</b>	<b>(Increase)/decrease in cash</b>		<b>(26,588)</b>

The net cash inflow/outflow from revenue activities is reconciled in note 38 to the annual accounts.

**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	3,599	(884)	2,715
1,818 Democratic Representation	1,842	(44)	1,798
4,908 Corporate and Democratic Core	5,441	(928)	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			
<b>9,195 Total Central Services</b>	<b>16,842</b>	<b>(2,927)</b>	<b>13,915</b>

**(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	763	(252)	511
<b>519 Total Court Services</b>	<b>763</b>	<b>(252)</b>	<b>511</b>



**(iii) Cultural, Environment and Planning:**

<b>2007/08 Net Expenditure £'000</b>	<b>2008/09 Gross Expenditure £'000</b>	<b>2008/09 Income £'000</b>	<b>2008/09 Net Expenditure £'000</b>
1,460 Culture and Heritage	4,051	(2,597)	1,454
104 Recreation and Sport	588	(510)	78
1,124 Open Spaces Tourism	2,379	(92)	2,287
6,393 Library Service	8,741	(1,094)	7,647
<b>9,081 Cultural and Related Services</b>	<b>15,759</b>	<b>(4,293)</b>	<b>11,466</b>
(260) Agricultural and Fisheries Services	4,375	(881)	3,494
1,381 Consumer Protection	2,696	(715)	1,981
3,053 Waste Collection	3,896	(6)	3,890
14,106 Waste Disposal	15,729	(746)	14,983
<b>18,280 Environmental Services</b>	<b>26,696</b>	<b>(2,348)</b>	<b>24,348</b>
230 Community Development Planning Policy	244	(11)	233
846 Development Control	1,563	(1,316)	247
1,244 Environmental Initiatives	1,153	(159)	994
(56) Economic Development	5,131	(1,687)	3,444
<b>2,264 Planning and Development Services</b>	<b>8,124</b>	<b>(3,206)</b>	<b>4,918</b>
<b>29,625 Total Culture, Environment &amp; Planning</b>	<b>50,579</b>	<b>(9,847)</b>	<b>40,732</b>

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	6,055	(4,623)	1,432
18,545 Primary	200,479	(97,522)	102,957
7,901 Secondary	381,780	(228,563)	153,217
8,734 Special	34,885	(17,964)	16,921
<b>35,757</b>	<b>623,199</b>	<b>(348,672)</b>	<b>274,527</b>
4,988 Non Schools Management	32,498	(20,524)	11,974
<b>4,988</b>	<b>32,498</b>	<b>(20,524)</b>	<b>11,974</b>
10,950 Childrens Services Commissioning	16,936	(2,833)	14,103
17,899 Children Looked After	20,974	(3,018)	17,956
3,760 Family Support Services	4,321	(432)	3,889
1,742 Youth Justice	2,831	(1,447)	1,384
61 Asylum Seekers (Children and Families	1,071	(1,103)	(32)
2,144 Other Children's and Families' Services	3,260	(702)	2,558
<b>36,556</b>	<b>49,393</b>	<b>(9,535)</b>	<b>39,858</b>
<b>77,301 Total Children's</b>	<b>705,090</b>	<b>(378,731)</b>	<b>326,359</b>

The increase in gross expenditure in year is largely due to the impairment review carried out at the 31<sup>st</sup> 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	4,401	(1,256)	3,145
668 Highways/Roads (Structural)	1,280	(74)	1,206
54 Construction	34		34
11,393 Highways/Roads (Routine)	14,888	(1,345)	13,543
4,981 Street Lighting	5,353	(121)	5,232
1,484 Winter Maintenance	2,702	(738)	1,964
903 Traffic Management and Road Safety	2,168	(85)	2,083
119 Parking Services	152	(1)	151
3,220 Public Transport	6,352	(2,038)	4,314
<b>25,635 Total Highways, Roads and Transport</b>	<b>37,330</b>	<b>(5,658)</b>	<b>31,672</b>

**(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	(7,081)	567
<b>701 Total Housing Services</b>	<b>8,772</b>	<b>(7,128)</b>	<b>1,644</b>

**(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	805	(4)	801
39,209 Older People (65+) incl Mentally Ill	62,595	(15,362)	47,233
6,618 Adults (<65) with Phys or Sensory Imp	9,840	(1,174)	8,666
24,915 Adults (<65) with Learning Disabilities	51,341	(19,958)	31,383
4,722 Adults (<65) with Mental Health Needs	6,594	(191)	6,403
420 Other Adult Services	1,496	(936)	560
572 Supported Employment (incl Sheltered	721	(465)	256
<b>77,053 Total Adult Social Care</b>	<b>133,392</b>	<b>(38,090)</b>	<b>95,302</b>

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.

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

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
<b>Totals</b>	<b>117.477</b>	<b>100.00%</b>	<b>11,738</b>

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 19<sup>th</sup> 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 31<sup>st</sup> 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
	<b>(6,672)</b>	<b>8,231</b>	<b>1,111</b>	<b>(152)</b>	<b>1,263</b>

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

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
<b>3,022</b>		<b>4,372</b>

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

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

## 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:

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

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:

<b>Authority</b>	<b>Total Grant £m</b>	<b>Total Grant %</b>
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
<b>Total</b>	<b>0.443</b>	<b>100</b>

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	2008/09 £'000
<b>802</b>	<b>812</b>
<b>Members Allowances</b>	
<p>In addition to the expenditure demonstrated above, being in relation to Bedfordshire County Council, an additional £44K was incurred in relation to the responsibilities associated with the Shadow Authority for Central Bedfordshire Council.</p>	

## 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
<b>196</b>	<b>88</b>	<b>284</b>	<b>Total</b>	<b>231</b>	<b>139</b>	<b>370</b>

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
	<b>Revenue Grants</b>	
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
	<b>Capital Grants</b>	
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
<b>371,851</b>		<b>349,029</b>
	<b>Awarding Bodies</b>	
22,484	Pension Fund - contribution in respect of Employees	24,099
891	Administration of the pension fund	829
<b>23,375</b>		<b>24,928</b>

##### (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 £'000		2008/09 £'000
272	External Audit Services	245
34	Statutory Inspection	16
50	Certification of Grant Claims	28
16	Other Services	7
<b>372</b>		<b>296</b>

## 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:

<b>OPERATIONAL ASSETS</b>					
	Land & Buildings	Infra- structure	Vehicles, Plant & Equipment	Community	Total
	£000	£000	£000	£000	£000
<b>Gross Book Value b/f</b>	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)
<b>Net Book Value b/f</b>	1,033,762	178,046	7,572	2,010	1,221,390
<b>Movements in 2008/09</b>					
Reclassifications	6,059	20,085	210	87	26,441
Additions	22,260	17,093	1,412	165	40,930
Disposals	(76,847)	0	(113)	0	(76,960)
Revaluations	(2,285)	0	0	(27)	(2,312)
Depreciation	(16,022)	(7,204)	(1,750)	0	(24,976)
Impairment	(247,501)	(102)	(17)	(130)	(247,750)
<b>Net Book Value at 31<sup>st</sup> March 2009</b>	<b>719,426</b>	<b>207,918</b>	<b>7,314</b>	<b>2,105</b>	<b>936,763</b>
<b>NON-OPERATIONAL ASSETS</b>					<b>TOTAL</b>
	Assets under construction	Surplus Properties	Investment Properties	Total	Operational and Non-Op
	£000	£000	£000	£000	£000
<b>Gross Book Value b/f</b>	47,811	385	37,381	85,577	1,388,174
Accumulated Depreciation b/f	0	(100)	(490)	(590)	(81,797)
<b>Net Book Value b/f</b>	47,811	285	36,891	84,987	1,306,377
<b>Movements in 2008/09</b>					
Reclassifications	(26,013)	22	(754)	(26,745)	(304)
Additions	31,990	0	109	32,099	73,029
Disposals	0	0	(417)	(417)	(77,377)
Revaluations	1	7	20,076	20,084	17,772
Depreciation	0	(3)	(91)	(94)	(25,070)
Impairment	0	(74)	(7,567)	(7,641)	(255,391)
<b>Net Book Value at 31<sup>st</sup> March 2009</b>	<b>53,789</b>	<b>237</b>	<b>48,247</b>	<b>102,273</b>	<b>1,039,036</b>

**(b) Capital Expenditure and Financing**

Capital payments were financed as follows:

	<b>2007/08</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure:</b>		
Fixed Assets	81,400	73,231
Revenue Expenditure funded by Capital Under Statute		7,570
Deferred Charges	9,729	
Investment	100	
	<b>91,229</b>	<b>80,801</b>
<b>Financed by:</b>		
Government Grants	49,250	34,489
Capital Receipts	16,916	0
Borrowing	15,990	35,770
Contributions	6,498	6,915
Revenue	1,507	1,762
Financing from previous year	1,068	1,865
	<b>91,229</b>	<b>80,801</b>

**17. Commitments under Capital Contracts**

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

	<b>£000</b>
Bedford Western Bypass	6,800
<b>Total</b>	<b>6,800</b>

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	2007/08	2008/09
<b>Land</b>		
County Farms and Small Holdings (hectares)	2,979	2,923
Other Land (hectares)	1,270	167
<b>Buildings</b>		
Schools	194	186
Other Educational Establishments	168	177
Libraries	18	18
Homes and Hostels	18	19
Community Centres	26	25
Other Social Services Properties	46	52
Administrative Buildings	33	31
Other	37	31
<b>Infrastructure</b>		
Roads (kilometres)	2,148	2,151
Streetlights	33,866	35,202
<b>Community Assets</b>		
Country Parks	12	12
Countryside Sites	39	69
Historical Sites	10	10
Other	0	3
<b>Vehicles</b>		
Fleet Vehicles	170	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
<b>Gross Book Value at 1 April</b>	<b>0</b>	<b>760</b>
Accumulated depreciation b/f	0	(338)
<b>Net Book Value at 1 April</b>	<b>0</b>	<b>422</b>
Additions	0	0
Revaluations	0	0
Depreciation	0	(119)
Disposals	0	(16)
<b>Net Book Value at 31 March</b>	<b>0</b>	<b>287</b>
Accumulated depreciation c/f	0	(457)
<b>Value at 31 March 2009</b>	<b>0</b>	<b>744</b>

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
	<u>0</u>	<u>148</u>

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
	<u>1,088</u>	<u>1,359</u>

**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 1<sup>st</sup> 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.

	Land and Buildings	Vehicles, Plant and Equipment	Investment Properties	Community Assets	Total
	£000	£000	£000	£000	£000
Valuation at Historical Cost		7,314		2,105	9,419
Valued at Current Value					
2008/09	(314,476)		11,291		(303,185)
2007/08	260,409		6,413		266,822
2006/07	773,493		30,543		804,036
2005/06					0
2004/05					0
2003/04					0
<b>Total Current Value</b>	<b>719,426</b>	<b>0</b>	<b>48,247</b>	<b>0</b>	<b>767,673</b>

## 23. Movement in of Intangible Assets

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

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 £000	31 March 2009 £000
General Fund	12,728	3,528
Trading Operations	0	
<b>Total</b>	<b>12,728</b>	<b>3,528</b>

## 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
<b>269,495</b>	<b>Total</b>	<b>244,362</b>

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
<b>269,495</b>	<b>Total</b>	<b>244,362</b>

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				
<b>Total borrowings</b>	<b>269,084</b>	<b>242,061</b>	<b>411</b>	<b>2,301</b>
Loans & receivables	6,279	1,279	91,000	36,874
Available for sale financial assets				
<b>Total investments</b>	<b>6,279</b>	<b>1,279</b>	<b>91,000</b>	<b>36,874</b>

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	-11,907		
Losses on derecognition			
Impairment losses			
<b>interest payable &amp; similar charges</b>	<b>-11,907</b>	<b>0</b>	<b>0</b>
Interest income		3,864	
Gains on derecognition			
<b>interest &amp; investment income</b>	<b>0</b>	<b>3,864</b>	<b>0</b>
Gains on revaluation			
Losses on revaluation			
Amounts recycled to the I&E account after impairment			
<b>Surplus arising on revaluation of financial assets</b>			<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>-11,907</b>	<b>3,864</b>	<b>0</b>

### 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
<b>269,495</b>	<b>Total</b>	<b>244,362</b>

### 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
<b>Total impact on income &amp; expenditure account</b>	<b>-2,879</b>

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:

	Balance at 1 April	Contributions to/(from)	Provision used	Provision unwound	Balance at 31 March
Provision	£'000	£'000	£'000	£'000	£'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
	<b>3,255</b>	<b>90</b>	<b>0</b>	<b>0</b>	<b>3,345</b>
<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
	<b>6,126</b>	<b>-1,345</b>	<b>-1,395</b>	<b>0</b>	<b>3,386</b>
<b>Total</b>	<b>9,381</b>	<b>-1,255</b>	<b>(1,395)</b>	<b>0</b>	<b>6,731</b>

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
<b><u>Customer Engagement &amp; Corporate Services</u></b>				
SAP Upgrade	0			0
County Council Elections	117	(117)		0
Other	185	(185)	10	10
	<b>302</b>	<b>(302)</b>	<b>10</b>	<b>10</b>
<b><u>Assistant Chief Executive</u></b>				
Local Area Agreement	215	(215)		0
Local Area Agreement Reward Grant (LAA)	119	(119)	435	435
Other Assistant Chief Executive	82	(82)	5	5
	<b>416</b>	<b>(416)</b>	<b>440</b>	<b>440</b>
<b><u>Finance</u></b>				
Finance Recovery	150	(150)		0
Insurance	3,262		788	4,050
Business Improvement	800	(800)		0
Recentive Incentive Scheme	600	(600)		0
Other Finance	151	(151)		0
	<b>4,963</b>	<b>(1,701)</b>	<b>788</b>	<b>4,050</b>
<b><u>Children's Services</u></b>				
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
	<b>8,293</b>	<b>(284)</b>	<b>1,238</b>	<b>9,247</b>
<b><u>Environment</u></b>				
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
	<b>2,386</b>	<b>(1,926)</b>	<b>186</b>	<b>646</b>
<b><u>Community Services</u></b>				
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
	<b>1,232</b>	<b>(1,174)</b>	<b>341</b>	<b>399</b>
Carry Forwards	<b>2,926</b>	(2,926)	1,915	<b>1,915</b>
School Reserves	<b>12,065</b>		1,957	<b>14,022</b>
<b>Total</b>	<b>32,583</b>	<b>(8,729)</b>	<b>6,875</b>	<b>30,729</b>

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)	342,834	(612,177)
Revaluation Reserve	(30,366)	(18,374)	(48,740)
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)	9,200	(3,528)
Schools' Reserves	(12,065)	(1,957)	(14,022)
Other Earmarked Reserves	(20,518)	3,811	(16,707)
<b>Total</b>	<b>(897,550)</b>	<b>391,776</b>	<b>(505,774)</b>

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
<b>Adult Services</b>				
1. Norah Mavis Campbell	12	5	95	1
2. LuDun Trust	5	2	23	1
<b>Children's Services</b>				
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
	<b>119</b>

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
<b>DSG receivable for the year</b>	<b>22,564</b>	<b>205,128</b>	<b>227,692</b>
Actual expenditure for the year	(23,480)	(203,686)	(227,166)
<b>(Over)/underspend for the year</b>	<b>(916)</b>	<b>1,442</b>	<b>526</b>
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
<b>(Over)/underspend carried forward to 2009/10</b>	<b>1,688</b>	<b>0</b>	<b>1,688</b>

### 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
6.7	Expected Return on Assets	6.0
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
	<b>Net Cost of Service</b>	
16.8	Current Service Cost	11.8
0.0	Past service Cost	3.7
0.3	Settlements and Curtailments	0.1
	<b>Net Operating Cost</b>	
(24.9)	Expected Return on Assets	-26.1
29.8	Interest on Pension Schemes Liabilities	35.6
(22.0)	<b>Employers' Contributions</b>	25.1
-2.7	<b>Actual return on Plan Assets</b>	-74.6

Reconciliation of Liabilities

2007/08 £m	Council share of Pension Fund	2008/09 £m
<b>550.4</b>	<b>Opening Balance</b>	<b>514.2</b>
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
<b>514.2</b>	<b>Net Assets / (Liabilities) at 31 March</b>	<b>507.5</b>

Reconciliation of Assets

2007/08 £m	Council share of Pension Fund	2008/09 £m
<b>362.4</b>	<b>Opening Balance</b>	<b>385.2</b>
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
<b>385.2</b>	<b>Net Assets / (Liabilities) at 31 March</b>	<b>319.7</b>

Fair value of attributable Assets / Liabilities

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

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
<b>(129.0)</b>	<b>Surplus / (Deficit)</b>	<b>-187.7</b>
	<b>Experience Gains / (Losses):</b>	
(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
<b>-59.9</b>	<b>Cummulative Actuarial Gains / Losses b/f</b>	<b>-1.3</b>
58.6	Actuarial Gains / (Losses)	-57.1
<b>(1.3)</b>	<b>Cummulative Actuarial Gains / Losses c/f</b>	<b>-58.4</b>

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
<b>Total</b>	<b>25.6</b>	<b>25.6</b>
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).

### 38. Reconciliation of Revenue Cash Flow

The table below shows the reconciliation of the Income and Expenditure account to the net cash inflow from revenue activities.

2007/08 £'000		2008/09 £'000
18,857	Income and Expenditure (Surplus) Deficit	353,273
(12,209)	Interest Payable	(13,041)
5,596	Interest Receivable	4,998
(18,870)	Other Movements in General Fund	(344,013)
	<b>Non Cash Transactions:</b>	
(10,051)	Repayment of Loans	(10,311)
(3,503)	Revenue Contribution	(1,762)
(14,105)	Contribution (to)/from Provisions	1,854
27,592	Contribution (to)/from Capital Reserves	(5,955)
(3,634)	Contribution (to)/from Revenue Reserves	1,854
85	Deferred Charge	6,241
	<b>Items on an Accruals Basis:</b>	
23	Increase/(Decrease) in Stocks and Work in Progress	(103)
(11,431)	Increase/(Decrease) in Debtors	(7,121)
(1,158)	(Increase)/Decrease in Creditors	14,472
<b>(22,808)</b>	<b>Net cash (inflow)/outflow from revenue activities</b>	<b>386</b>

### 39. Reconciliation of Cash to movement in Net debt.

The following table reconciles cash to the decrease in net debt.

2007/08 £'000		2008/09 £'000
8,184	Increase in Cash	26,588
(22,808)	Cash inflow from Revenue Activities	386
5,786	Cash outflow/inflow from the Servicing of Finance	4,704
10,326	Cash outflow from Capital Activities	25,475
<b>1,488</b>	<b>Decrease in Net Debt</b>	<b>57,153</b>

### 40. Definition of Liquid Resources.

Liquid resources are the short term investments shown on the Balance Sheet.

**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
<b>Financing</b>					
PWLB	247,168	222,042	25,126	(27,279)	(2,153)
Money Market Loans	22,327	22,321	6	(6)	0
Temporary Loans	0	0	0	0	0
<b>Liquid Resources</b>					
Short Term Investments	(92,637)	(36,874)	(55,763)	763	(55,000)
<b>Total</b>	<b>176,858</b>	<b>207,489</b>	<b>(30,631)</b>	<b>(26,522)</b>	<b>(57,153)</b>



**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.

	<b>2007/08</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
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
	<b>372,678</b>	<b>349,029</b>

## 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 31<sup>st</sup> March 2009, the Bedfordshire County Council was the administering authority for the Pension Fund. From 1<sup>st</sup> 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](http://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 1<sup>st</sup> 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**

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net assets at 1 April</b>	<b>706,986</b>	<b>795,209</b>	<b>980,356</b>	<b>1,079,577</b>	<b>1,074,800</b>
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)
<b>Net Assets at 31 March</b>	<b>795,209</b>	<b>980,356</b>	<b>1,079,577</b>	<b>1,074,800</b>	<b>887,416</b>

## FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	2007/2008	2008/2009	See
	£000	£000	Note
<b>Contributions and Benefits</b>			
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	
<b>Returns on Investments</b>			
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
<b>Net return on investments</b>	<b>(35,223)</b>	<b>(215,853)</b>	
Net increase in the fund during the year	(4,777)	(187,384)	
Net assets of the fund at 1 April	1,079,577	1,074,800	
<b>Net assets of the fund at 31 March</b>	<b>1,074,800</b>	<b>887,416</b>	

## NET ASSETS STATEMENT AS AT 31 MARCH 2009

	2007/2008	2008/2009	See
	£000	£000	Note
<b>Investments</b>			
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
<b>Current Assets</b>			

Debtors	6,469		7,412		9
Cash	30,728	37,197	28,778	36,190	10
<hr/>					
<b>Current Liabilities</b>					
Receipts in advance	-		-		
Provision for bad debts	( 32)		( 103)		12
Creditors	(1,105)	( 1,137)	( 728)	( 831)	11
<hr/>					
<b>Net assets of the fund at 31 March</b>		<b>1,074,800</b>		<b>887,416</b>	

## NOTES TO THE ACCOUNTS

Fund account	2007/08 £000	2008/09 £000
<b>1 Contributions receivable</b>		
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
	<hr/> <b>77,666</b>	<hr/> <b>84,512</b>
Administering authority	28,276	30,664
Scheduled bodies	42,245	45,782
Admitted and other bodies	7,145	8,066
	<hr/> <b>77,666</b>	<hr/> <b>84,512</b>

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

	2007/08 £000	2008/09 £000
<b>2 Transfers from other schemes</b>		
Group transfers from other schemes	-	4,202
Individual transfers from other schemes	13,743	5,941
	<hr/> <b>13,743</b>	<hr/> <b>10,143</b>
<b>3 Benefits payable</b>		
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
	<hr/> <b>51,411</b>	<hr/> <b>54,834</b>

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
	<hr/> <b>51,411</b>	<hr/> <b>54,834</b>



<b>4</b>	<b>Payments to and on account of leavers</b>		
	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	-	-
		<b>8,394</b>	<b>10,312</b>
<b>5</b>	<b>Administrative &amp; other expenses</b>		
	Administering authority	797	829
	System costs & development	279	108
	Actuarial fees	108	38
	Other	28	61
		<b>1,212</b>	<b>1,036</b>
		<b>2007-08</b>	<b>2008-09</b>
		<b>£000</b>	<b>£000</b>
<b>6</b>	<b>Investment income</b>		
	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
		<b>19,725</b>	<b>15,833</b>
<b>7</b>	<b>Investment management expenses</b>		
	Administering authority	95	100
	Investment managers' fees	2,774	2,991
	Investment managers' performance related fees	520	662
	Investment advice & other costs	99	191
		<b>3,488</b>	<b>3,944</b>
	<b>Net Asset Statement</b>	<b>2007-08</b>	<b>2008-09</b>
		<b>£000</b>	<b>£000</b>
<b>8</b>	<b>Investments</b>		
<b>8.1</b>	<b>Fixed Interest Securities</b>		
	UK government securities	41,763	38,162
	UK corporate securities	9,500	-
	Overseas securities	-	2,206
	Overseas securities – index linked	3,509	-
		<b>54,772</b>	<b>40,368</b>
<b>8.2</b>	<b>Equities</b>		
	UK quoted equities	100,887	7,740
	UK equity futures	-	-
	Overseas equities	156,268	75,016
		<b>257,155</b>	<b>82,756</b>
<b>8.3</b>	<b>Managed and Unitised Funds</b>		
	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
		<b>711,651</b>	<b>690,371</b>

<b>8.4 Derivative Contracts</b>	-	43
<b>8.5 Cash Deposits &amp; Other Investment Assets</b>		
Cash deposits	13,175	43,844
Due to and from the Stock Exchange	( 464)	( 6,093)
Investment income outstanding	2,451	
	<b>15,162</b>	
<b>Total</b>	<b>1,038,740</b>	<b>852,057</b>
<b>8.6 Quoted/Un-quoted Investments</b>		
Quoted	411,102	224,416
Un-quoted	627,638	627,641
	<b>1,038,740</b>	<b>852,057</b>

### 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
<b>Fixed Interest Securities</b>					
UK	41,763	71,172	75,822	1,049	38,162
Overseas	13,009	650	10,262	(1,191)	2,206

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

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

### 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.

<b>11</b>	<b>Creditors</b>	<b>2007/08</b>	<b>2008/09</b>
		<b>£000</b>	<b>£000</b>
	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
		<b>1,105</b>	<b>728</b>

### 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.

<b>AVCs</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Value at 1 April	3,549	3,564
<b>Income</b>		
Contributions received	282	293
Transfer values received	72	67
Demutualisation entitlement	-	-
	354	360
<b>Expenditure</b>		
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	<b>3,564</b>	<b>3,219</b>

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:**

Amphill 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 31<sup>st</sup> 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 31<sup>st</sup> 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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