

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



please ask for Leslie Manning
direct line 0300 300 5132
date 16 June 2011

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 27 June 2011 9.30 a.m.

Venue at

Council Chamber, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the AUDIT COMMITTEE:

Clrs D Bowater (Chairman), M C Blair (Vice-Chairman), L Birt,
Mrs D B Green, D J Lawrence, A Shadbolt and A Zerny

[Named Substitutes:

Clrs R D Berry, N B Costin, M A Smith and N Warren]

All other Members of the Council - on request

MEMBERS OF THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THIS MEETING

AGENDA

1. **Apologies for Absence**

To receive apologies for absence and notification of substitute Members.

2. **Minutes**

To approve as a correct record the Minutes of the meeting of the Audit Committee held on 4 April 2011 (copy attached).

3. **Members' Interests**

To receive from Members declarations and the nature thereof in relation to:-

- (a) Personal interests in any agenda item;
- (b) Personal and prejudicial interests in any agenda item.

4. **Chairman's Announcements and Communications**

To receive any announcements from the Chairman and any matters of communication.

5. **Petitions**

To receive petitions from members of the public in accordance with the Public Participation Procedure as set out in Annex 2 of Part A4 of the Constitution.

6. **Questions, Statements or Deputations**

To receive any questions, statements or deputations from members of the public in accordance with the Public Participation Procedure as set out in Annex 1 of Part A4 of the Constitution.

Reports

Item	Subject	Page Nos.
	Central Bedfordshire Statement of Accounts 2010/11	* 17 - 134
	To consider the draft Statement of Accounts for 2010/11 and approve its issue to the Audit Commission for review.	

- | | | |
|----|--|-------------|
| 8 | Pre-Statement Memorandum | * 135 - 148 |
| | To receive the Audit Commission's Pre-Statement Memorandum setting out initial work undertaken in relation to the Council's draft financial statements. | |
| 9 | 2010/11 External Audit Plan - Position Statement at June 2011 | * 149 - 154 |
| | To receive a Position Statement for the Audit Commission's External Audit Plan for 2010/11. | |
| 10 | External Annual Audit Fee Letter 2011/12 | * 155 - 158 |
| | To receive the Audit Commission's Annual Audit Fee letter for 2011/12. | |
| 11 | Internal Audit Annual Audit Opinion | * 159 - 170 |
| | To consider the annual report of the Head of Internal Audit setting out her opinion on the overall adequacy and effectiveness of the Council's financial and other internal controls. | |
| 12 | Tracking of Audit Recommendations | * 171 - 182 |
| | To receive a summary of the high risk recommendations arising from Internal Audit reports together with an outline of how these will be monitored, tracked and reported to the Audit Committee. | |
| 13 | Audit Committee - Evening Meetings | |
| | To consider a request from Councillor Zerny that some meetings of the Audit Committee be held in the evening. | |
| 14 | Exclusion of Press and Public | |
| | To consider whether to pass a resolution under section 100A of the Local Government Act 1972 to exclude the Press and Public from the meeting for the following items of business on the grounds that consideration of the items is likely to involve the disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A of the Act. | |

Items Likely to be Considered Following the Exclusion of the Press and Public
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<i>Item</i>	<i>Subject</i>	<i>Exempt Para.</i>	<i>Page Nos.</i>
EX1	Internal Audit Annual Audit Opinion - Exempt Appendix A	* 3	183 - 190
	This Appendix provides a summary of Internal Audit activity during 2010/11.		
EX2	Internal Audit Annual Audit Opinion - Exempt Appendix C	* 3	191 - 192
	This Appendix sets out the special investigations arising and completed in 2010/11.		
EX3	Tracking of Audit Recommendations - Exempt Appendix 3	* 3	193 - 204
	This Appendix details outstanding Internal Audit recommendations from 2010/11.		
EX4	Tracking of Audit Recommendations - Exempt Appendix 4	* 3	205 - 212
	This Appendix details Internal Audit recommendations outstanding since the last meeting of the Audit Committee in April 2011.		

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 14, Priory House, Monks Walk, Shefford on Monday, 4 April 2011

PRESENT

Cllr D Bowater (Chairman)
Cllr R A Baker (Vice-Chairman)

Cllrs Mrs A Barker
A Shadbolt

Cllrs P Snelling
B J Spurr

Members in Attendance: Cllrs M R Jones
R C Stay

Officers in Attendance: Mr J Atkinson Head of Legal and Democratic Services
Ms D Clarke Interim Assistant Director People
Mr J Drea Customer Insight and Risk Manager
Mr R Ellis Director of Customer and Shared Services
Mr A King Head of Financial Strategy
Mr L Manning Committee Services Officer
Ms K Riches Head of Audit
Mr J Unsworth Interim Assistant Director of Finance

Others In Attendance: Mr P King Audit Commission
Mrs C O'Carroll Audit Commission

A/10/61 **Minutes**

RESOLVED

that the Minutes of the meeting of the Audit Committee held on 27 January 2011 be confirmed and signed by the Chairman as a correct record.

A/10/62 **Members' Interests**

(a) **Personal Interests:-**

None.

(b) **Personal and Prejudicial Interests:-**

None.

A/10/63 **Chairman's Announcements and Communications**

The Chairman thanked the Members of the Committee, Portfolio Holders and officers for their support during the municipal year.

A/10/64 **Petitions**

No petitions were received from members of the public in accordance with the Public Participation Procedure as set out in Part D2 of the Constitution.

A/10/65 **Questions, Statements or Deputations**

No questions, statements or deputations were received from members of the public in accordance with the Public Participation Procedure as set out in Annex 1 of Part A4 of the Constitution.

A/10/66 **Audit Opinion Plan 2010/11**

The Committee received the Audit Commission's Audit Opinion Plan for 2010/11.

The District Auditor (Audit Commission) stated that the Plan followed up on his original fee letter dated March 2010 and set out the audit work that the Commission proposed to undertake for the audit of financial statements 2010/11.

The District Auditor then worked through his report highlighting aspects for Members' information. Arising from this a Member referred to the risk area identified with regard to the Housing Benefit and Council Tax claim and sought clarification as to how this situation had come about. In response the District Auditor explained that 2009/10 represented the first year that a unified Central Bedfordshire benefits team had existed and, further, that certain operational issues had been inherited from the legacy authorities. Both factors had contributed to the issue of a qualification letter. However, he did not anticipate that these same issues would arise for 2010/11. The Audit Manager (Audit Commission) outlined the related difficulties which had occurred at the legacy district councils.

The Portfolio Holder for Policy and Performance expressed disappointment regarding the Audit Commission's decision to release information on the Council's Housing Benefit operation into the public domain in view of the resulting negative media response, and mindful of the Council's openness and willingness to work with the Commission on this issue. The Portfolio Holder for

Finance, Governance and People reminded Members that Housing Benefit would be considered at the June meeting of the Customer and Central Services Overview and Scrutiny Committee within a report on the Customer and Shared Services Directorate Recovery Programme.

NOTED

the Audit Commission's Audit Opinion Plan for 2010/11.

A/10/67

Certification of Claims and Returns - Annual Report 2009/10

The Committee received the Audit Commission's annual report on Certification Claims and Returns for 2009/10.

With regard to housing benefits the Audit Manager (Audit Commission) commented that issues relating to this matter had already received consideration by the Committee and the need for improved staff training and quality control in the benefits calculations had been acknowledged and acted on. However, a Member expressed concern that the increasing number of claimants could have a negative impact on attempts to undertake remedial action. In response the Interim Assistant Director of Finance explained that, whilst the benefits caseload had increased by some 12% and there had been a corresponding pressure on resources, a significant improvement in the quality of the work had still been achieved.

Arising from discussion on the Teachers' Pension Scheme the Portfolio Holder for Policy and Performance commented on the accelerating rate of change in the relationship between local authorities and schools and the possible role of the Audit Commission. The District Auditor (Audit Commission) acknowledged the increasingly complex nature of the relationship.

Whilst recognising the difficulties which had arisen in connection with the Teachers' Pension Scheme within the Council the Chairman and Vice-Chairman also referred to the problem of securing accurate personal information on teaching staff from some schools.

NOTED

the Audit Commission's Certification of Claims and Returns Annual Report for 2009/10.

A/10/68

2010/11 External Audit Plan - Position Statement at March 2011

The Committee received a Position Statement as at March 2011 for the Audit Commission's External Audit Plan for 2010/11.

The Portfolio Holder for Policy and Performance referred to the 28% reduction in funding that the Council had experienced and, in view of the comparatively low reduction of 10% for the planned Audit Commission 2011/12 fee, he queried the Commission's commitment to reduce its own costs. In response

the District Auditor (Audit Commission) drew the meeting's attention to the additional rebates of between 2%-15% that would be forthcoming from the Commission in 2011/12 and stated that the possibility of further reductions was being considered. Furthermore, there could be additional reductions on a year on year basis whilst the Commission remained in operation. The District Auditor stressed that he was fully aware of the financial pressures that local authorities were under and the need to reduce costs.

A Member, whilst acknowledging the desire by the Council to reduce its expenditure, emphasised the need for a strong, independent audit of its financial affairs. He warned of the possibility that important financial issues would not be identified if the level of external audit was reduced.

A Member queried the level of fee reductions that private sector auditors had introduced when undertaking the external audit role. In response the District Auditor explained that the Commission determined the scale fee that was charged and this was the same whether the work was undertaken by the Commission or by a private sector auditor. In the future, however, a free market for the audit of local authorities would exist and a standard fee would no longer be imposed. He added that the continued existence of the Commission would be dependent on it being competitive in the level of fee it charged. The Portfolio Holder for Policy and Performance stressed the need for competition to be introduced.

NOTED

the Audit Commission's External Audit Plan (Position Statement) for 2010/11.

A/10/69

Payroll Issues

The Committee considered a report by the Director of Customer and Shared Services which sought Members' support for an extensive review of the arrangements and processes for payroll.

The meeting noted that a 'root and branch' review of the Payroll function provided by SERCO was being carried out in response to the problems which had occurred within the service. A report on the outcome of the review would be made to the next meeting of the Customer and Central Services Overview and Scrutiny Committee and that Committee could then make recommendations to the Executive on the way forward.

The Interim Assistant Director People reported that whilst some issues could be rectified quickly others required extensive remedial action. The Chairman advised the meeting that he had discussed the matter with the Portfolio Holder for Finance, Governance and People and he, the Chairman, had concurred that reporting to the Overview and Scrutiny Committee offered the most effective means of dealing with such problems. The Audit Committee could then monitor the effectiveness of any decisions.

Discussion took place on the time left in the contract with SERCO and the possibility of its early termination. The Interim Assistant Director People confirmed that any options for the future of the contract with SERCO would be included in the report to the Overview and Scrutiny Committee.

In response to a query by a Member regarding the possibility of reducing payments to SERCO where they had failed to provide a satisfactory service the Interim Assistant Director People stated that the contract did not allow penalties to be imposed for minor errors. However, officers met with SERCO every month and work was being undertaken to improve the quality of service provision where possible. Issues relating to fees would be dealt with under the review. The officer also stressed that not all the errors which had occurred were the fault of SERCO.

With specific reference to payroll provision to schools the Interim Assistant Director People advised that eight of the eleven SERCO staff dealt solely with payroll issues relating to school employees. She also reported that the Council had been undercharging schools for this service and so costs would be raised as from September 2011. In response to a Member's query on the effect on staffing requirements should schools move to alternative payroll providers the officer stated that both HR and SERCO staffing requirements were being monitored.

The Portfolio Holder for Finance, Governance and People encouraged Members to attend the relevant Customer and Central Services Overview and Scrutiny Committee so that they were aware of, and could participate in, the debate.

A Member referred to the problems experienced with SAP and queried when the system would be working optimally. In response the Assistant Director People explained that the SAP optimisation project was one of the workstreams within the Customer and Shared Services Recovery Programme which would be presented to the Customer and Shared Services Overview and Scrutiny Committee in June.

RESOLVED

that the 'root and branch' review of the Payroll function provided by SERCO be endorsed.

A/10/70

Code of Corporate Governance and Annual Governance Statement

The Committee considered a report by the Director of Customer and Shared Services which proposed the adoption of the Code of Corporate Governance and sought Members' comments on the draft Annual Governance Statement for 2011/12.

The Head of Legal and Democratic Services advised the meeting that the Code, which set out the six core principles of Corporate Governance and described how the Council would achieve them, had been drafted in 2010 but not yet formally adopted by the Council. The officer then referred to the draft

Annual Governance Statement and explained that this document demonstrated how the Council had achieved those principles set out in the Code. The meeting noted that the latest Statement was an updated version of the document adopted for 2009/10.

A Member suggested that the Code be submitted to the first meeting of the Committee in the 2011/12 municipal year to enable any new Members to be aware of its content. However, and in view of the Code's central importance, the meeting felt that this aim should be achieved by including the Code in the Ethical Handbook issued with the Council's Constitution.

RESOLVED

- 1 that the Code of Corporate Governance be approved;**
- 2 that the draft Annual Governance Statement 2011/12 be submitted to the Leader and Chief Executive with a recommendation of approval;**
- 3 that the Director of Customer and Shared Services examine the proposed inclusion of the Code of Corporate Governance in the Council's Ethical Handbook.**

A/10/71

2011/12 Corporate Risk Management Strategy & Policy Statement

The Committee considered a report by the Head of Partnerships and Performance which sought Members' endorsement of the Corporate Risk Management Strategy for 2011/12 (which incorporated the Risk Management Policy Statement). The meeting noted that the 2011/12 Strategy was an update of the 2009/10 version which the Committee had considered in April 2009. Members were aware that the major difference between the two was that, following a change in organisational structure, the risk and health and safety functions were dealt with separately in the latest document.

The Customer Insight and Risk Manager advised that the Strategy represented a move towards a more 'light touch', though no less effective, approach to ensuring that risk was effectively managed within the Authority.

A Member commented that, whilst the Corporate Management Team (CMT) was scheduled to receive a quarterly risk report outlining the key strategic and operational risks facing the Authority, there appeared to be no way that the Committee or other councillors could access this information. She emphasised, in particular, the need for Members to be aware of what major risks existed in their wards. Following discussion the Portfolio Holder for Finance, Governance and People acknowledged that whilst the Audit Committee had the responsibility to approve the Risk Management Policy Statement and monitor its operation it had no access to the information contained in the quarterly risk report. As a result it was unable to take action by referring issues of concern to the relevant overview and scrutiny committee for consideration. The Portfolio Holder suggested that the introduction of a linkage be examined by the officers.

RESOLVED

- 1 that, subject to resolution 2 below, the Corporate Risk management Strategy 2011/12 be agreed and endorsed;**
- 2 that the Director of Customer and Shared Services examine the introduction of an explicit linkage by which the Audit Committee would receive all necessary risk management information on a quarterly basis.**

A/10/72

2010/11 Annual Accounts Progress Report

The Committee considered a report by the Interim Assistant Director of Finance which provided information on the progress made to date on the preparation of the 2010/11 Annual Accounts. For Members' information the Head of Financial Strategy highlighted aspects of the work which had been undertaken.

Members were asked to note the draft Statement of Accounting Policies and restated core financial statements that demonstrated the revised comparative figures as required under International Financial Reporting Standards (IFRS).

In response to a Member's query regarding the possibility of delays arising in the preparation of the Annual Accounts because of changes to school funding the Head of Financial Strategy explained that there would be no impact given the closure was for 2010/11. Whilst acknowledging this the Member commented that such a problem could arise in the preparation of the 2011/12 Annual Accounts.

NOTED

the progress made to date in the preparation of the 2010/11 Annual Accounts and draft Statement of Accounting Policies.

(Note: The Committee adjourned at 11.16 a.m. for a short break and reconvened at 11.26 a.m.)

A/10/73

2011/12 Internal Audit Charter

The Committee considered a report by the Director of Customer and Shared Services which presented the Internal Audit Charter 2011/12 for consideration. The meeting noted that the Charter had been refreshed to reflect any revisions that were needed but contained no significant changes from the document presented to the Committee in September 2010.

RESOLVED

that the 2011/12 Internal Audit Charter be endorsed.

A/10/74 Internal Audit Strategy, Strategic Audit Plan and Annual Plan

The Committee considered a report by the Director of Customer and Shared Services which sought Members' approval of the Internal Audit Strategy 2011/13, the Strategic Audit Plan 2012/13 and the Annual Audit Plan 2011/12. The meeting noted that both the Internal Audit Strategy and the Strategic Audit Plan were based on existing documents and had merely been refreshed to take account of any changes over the last year. The meeting noted that there had been no fundamental amendments to either document.

With regard to the Internal Audit Strategy a Member asked that the cover be amended to clearly indicate the period covered by the document.

RESOLVED

- 1 that the Internal Audit Strategy 2011/13, Strategic Audit Plan 2012/13 and Annual Audit Plan 2011/12 be approved;**
- 2 that the cover of the Internal Audit Strategy document be clearly marked to indicate the period covered by it.**

A/10/75 2011/12 Audit Committee Outline Work Programme

The Committee considered a report by the Director of Customer and Shared Services which set out the proposed work programme for the Audit Committee for 2011/12. In response to a query by the Portfolio Holder for Finance, Governance and People the Head of Audit stated that a report on Members' expenses had been included in the programme because this had been a standard item at the legacy authorities. However, she acknowledged that clarification was required to determine whether a report would actually need to be submitted to the Committee.

RESOLVED

that the proposed Audit Committee work programme be approved.

A/10/76 Internal Audit Progress Report

The Committee considered a report by the Director of Customer and Shared Services which provided an update on the status of Internal Audit work for 2010/11 as at 28 February 2011.

The Head of Audit stated that there had been an increase in time spent on investigations work with three investigations currently in progress. The officer then referred Members to the Key Performance Indicators (KPIs) which set out the progress made by Internal Audit on a range of activities. She commented that three of the six Indicators showed a positive performance and one other, although actual performance was below target, showed a positive direction of travel. However, the remaining two indicators were considerably below the

target figure. The officer stressed that considerable work was being undertaken to improve the situation and she hoped to be able to report progress to a future meeting. The Committee noted the impact of external factors on the progress made on some of the Indicators.

In response to Members' queries regarding the current status of the Internal Audit review on the Council's Shared Service Arrangements (SLAs) the Interim Assistant Director of Finance confirmed that the review remained at draft stage. He stated that it had been submitted to Corporate Management Team (CMT) for comment before being returned to the Head of Audit for revision. He added that it was hoped that the review would be issued within the next ten days. Further discussion followed on this matter during which it was decided that the Chairman of the Shared Services Task Force would meet with selected officers at the conclusion of the Committee to consider the matter further.

A Member referred to completion of a draft review of the Music Service and queried the future of related equipment and assets. In response the Head of Audit explained that the review recommendations had focused on the disaggregation process, which had included assets.

NOTED

the progress made against the 2010/11 Internal Audit Plan.

A/10/77

Tracking of Audit Recommendations

The Committee considered a report by the Director of Customer and Shared Services which summarised the high risk recommendations arising from Internal Audit reports, outlined how these were monitored and the progress made on their implementation as at the end of February 2011.

The Head of Audit stated that the direction of travel was positive. Although 17% of recommendations were ongoing with the deadline missed no new amber or red deadlines had been added.

The officer drew Members' attention to the inclusion of information within the report which set out the progress made in addressing control issues in the National Non Domestic Rates and Council Tax processes.

NOTED

the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing these as at the end of February 2011.

A/10/78 **Exclusion of Press and Public**

RESOLVED

that in accordance with Section 100A (4) of the Local Government Act 1972 the Press and Public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act:

- (a) **Appendix A to the Internal Audit Progress Report referred to in Minute 10/76 above;**
- (b) **Appendix 2 to the Tracking of Audit Recommendations report referred to in Minute 10/77 above.**

A/10/79 **Internal Audit Progress Report - Exempt Appendix A**

The Committee considered the information contained within exempt Appendix A to Item 17 (Internal Audit Progress Report). The Appendix contained a table summarising audit activity since the last meeting of the Committee and describing the key issues arising from the reviews completed to date.

NOTED

exempt Appendix A to the Internal Audit Progress Report.

A/10/80 **Tracking of Audit Recommendations - Exempt Appendix 2**

The Committee considered the information contained within exempt Appendix 2 to Item 18 (Tracking of Audit Recommendations). The Appendix detailed outstanding Internal Audit recommendations and included the original target date set for the completion of each recommendation so Members were aware of the extent of any delay.

A Member referred to the Payroll Managed Audit and queried whether the two associated recommendations had been actioned. In response the Head of Financial Strategy advised the Committee of the latest position.

Members referred to National Non Domestic Rates (NNDR) Managed Audit and expressed concern at the failure to meet the original and revised target dates for the associated recommendations. Arising from discussion on this item comment was passed that the Committee had not been provided with a full update providing the latest information on either the NNDR Managed Audit or on some other matters.

In response to the failure to meet the target dates referred to above the Interim Assistant Director of Finance stated that he would establish the reasons for any

outstanding delays and advise Members. The meeting was of the opinion that additional action was required to deal with the outstanding recommendations.

RESOLVED

that, following investigation by the Interim Assistant Director of Finance, any recommendations which have failed to be actioned by the agreed target date be referred to the relevant overview and scrutiny committee in order that they be considered and dealt with as matters of urgency and to enable any recommendation(s) to be made to the Executive.

(Note: The meeting commenced at 9.30 a.m. and concluded at 12.05 p.m.)

Chairman

Dated

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Meeting: Audit Committee
Date: 27 June 2011
Subject: Central Bedfordshire Statement of Accounts 2010/11
Report of: Director of Customer and Shared Services
Summary: The report presents the 2010/11 Statement of Accounts for Central Bedfordshire Council. These are submitted to the Audit Committee for noting and approves their issue to the Audit Commission. The draft annual accounts document is attached at Appendix A to the report.

Contact Officer: John Unsworth, Assistant Director Financial Services
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

<p>Council Priorities:</p>

<p>None.</p>

<p>Financial:</p>

<p>No direct effects, although the exercise will help to provide information on Council balances and identify potential impacts on current spending.</p>
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<p>Legal:</p>

<p>None</p>

<p>Risk Management:</p>

<p>None</p>

<p>Staffing (including Trades Unions):</p>

<p>None</p>

<p>Equalities/Human Rights:</p>
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<p>None</p>

<p>Community Safety:</p>

<p>None</p>

<p>Sustainability:</p>

<p>None</p>

RECOMMENDATION(S):

1. **that the**
 - (a) **Committee notes the Central Bedfordshire Draft Statement of Accounts for 2010/11 and approves their issue to the Audit Commission for review.**

Background

1. The Council is required to ensure certification of its annual accounts by its responsible financial officer no later than 30 June following the financial year end.
2. The annual accounts must be published with the audit opinion and certificate no later than 30 September. In advance of this the accounts must have been approved by Members. Approval of the accounts is planned at the 27 September 2011 Audit Committee.
3. The full set of draft annual accounts is attached at Appendix A.

Statement of Accounts 2010/11

4. The Council is required to ensure certification of its annual accounts by its responsible financial officer no later than 30 June following the financial year end.
5. The Statement of Accounts are subject to external audit validation in accordance with the requirements of the Audit Commission. The audit will take place during July, August and September 2011.
6. The annual accounts must be published with the audit opinion no later than 30 September. In advance of this the accounts must have been approved by Members. Approval of the accounts is planned at the 27 September 2011 Audit Committee.
7. The accounts approval process has been revised in line with the requirements of the Accounts and Audit Regulations 2011, SI No. 817. Under the previous regulations Members were required to approve the annual accounts (by 30 June) before they had been reviewed by the external auditor. The new requirements mean that Members give their approval to the accounts in the knowledge of audit findings in September.
8. There is no requirement under the new regulations to make reference of the accounts to Members until approval in September. However, the annual accounts have been issued to this Audit Committee in order to increase financial transparency and ensure that Members receive early notification of the financial outcome the Council. The full set of draft annual accounts is attached at Appendix A.

9. The Statement of Accounts have been produced in accordance with statutory requirements including the requirements of the International Financial Reporting Standards (IFRS).

2010/11 Outturn

10. The anticipated outturn position for the General Fund and the Capital Programme will be reported to the July Executive. This is currently expected to show a projected underspend of circa £0.3m plus a planned increase in the General Fund of £1.5m.
11. All key messages over any issues arising within the accounts and implications on the authority will be detailed in full within the Explanatory Foreword of the accounts.

Role of the Audit Committee and Public Inspection of Accounts

12. The Audit Committee's Terms of Reference state its obligations and requirements with regard to the review and approval of the Statement of Accounts. Specifically these are to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial settlements or from the audit that need to be brought to the attention of the Council.
13. As part of the external audit the accounts will be made available for public inspection between 11 July 2011 to 5 August 2011.

Appendices:

Appendix A – Annual Statement of Accounts 2010/11

Background Papers: (open to public inspection)

Statement of Accounts 2010/11 – Central Bedfordshire

Location of papers: Priory House, Chicksands

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Annual Statement of Accounts

Central Bedfordshire Council
2010/11



CENTRAL BEDFORDSHIRE COUNCIL

STATEMENT OF ACCOUNTS 2010/11

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EXPLANATORY FOREWORD

Introduction to the Statement of Accounts – John Unsworth Chief Finance Officer

As the Council's statutory Chief Finance Officer, I have set out below the explanatory foreword to Central Bedfordshire Council's Statement of Accounts for 2010/11.

Introduction of International Financial Reporting Standards

2010/11 represents the first year of International Financial Reporting Standards (IFRS) implementation. Local government bodies have now adopted IFRS and have produced their 2010/11 accounts on this basis. The key changes resulting from the conversion from UK GAAP (Generally Accepted Accounting Practice) requirements to IFRS are as follows:

- Fixed assets have been measured and recorded differently, particularly as a result of revaluation bases, impairment, revaluation losses and a stronger emphasis on component accounting. Specific consideration will need to be given to the capitalisation or reclassification of software and development costs
- Outstanding holiday pay has been valued and accrued
- Lease categorisations have changed and leases for land and buildings have been separated in all cases
- Private Finance Initiative (PFI) assets have been reported in the public sector's balance sheet based on a series of 'control' tests rather than 'risk and reward'
- Presentation of financial statements, including supporting disclosure notes, has significantly changed
- Treatment of capital grants.

The adoption of IFRS reporting requirements has also required the restatement of the opening balances of the two previous financial years.

Our Key Priorities

During 2010/11 key priorities have been within the following objectives:

- Supporting and caring for an ageing population
- Educating, protecting and providing opportunities for children and young people
- Managing growth effectively
- Creating safer communities
- Promoting healthier lifestyles

Work on these aims has resulted in positive performance in a number of areas including:

- Ensuring truly vulnerable adults are safeguarded
- Enabling people to make appropriate choices to meet their own needs & enabling the 'market' to respond to their needs
- Safeguarding vulnerable children and, raising educational attainment at GCSE level
- Ensuring housing growth is complemented by growth of businesses and jobs
- Supporting the provision of a suitable mix / quality of housing to meet the needs of current and future communities
- Ensuring our safe areas are maintained
- Maintaining a clean area, with increased emphasis on localised solutions

- Enabling communities to lead healthier lifestyles

Further work will continue to focus on improving outcomes for communities in Central Bedfordshire in line with the Council priorities, whilst maintaining strong focus on delivering further efficiencies and therefore maximising the use of our resources in frontline services.

Financial Performance

It has been a difficult year financially in the Council and we have continued our programme to operate more effectively and, wherever possible, to protect front line services.

We have delivered a good financial result, achieving a modest surplus for the year and improving our General Fund from the low level arising from the creation of the Council in April 2009.

This is substantially due to the £12m efficiency savings delivered in the year, which leaves us well placed in the face of another difficult financial year in 2011/12.

This explanatory foreword and notes that follow will give you a picture of how the figures make up our financial statement of accounts. The statement of accounts is required by law and sets out statutory financial accounting reporting requirements and other relevant information. Although the format is generally set out fairly tightly by the financial regulations, the supporting notes are aimed at providing a more straightforward explanation of the often complicated Local Government financial arrangements.

John Unsworth

Chief Finance Officer

Central Bedfordshire Council,

Priory House,
Monks Walk,
Chicksands,
Beds,
SG17 5TQ

1. The Council:

Central Bedfordshire Council was created on 1 April 2009 following a decision by the Secretary of State for Communities and Local Government to restructure local government within Bedfordshire. This involved the creation of two unitary Councils, Central Bedfordshire and Bedford Borough, to replace the former Bedfordshire County Council, Bedford Borough and the district Councils of Mid and South Bedfordshire.

2. The Accounting Statements:

a) **The Statement of Responsibilities for the Statement of Accounts** (page 91), which sets out the responsibilities of both the Council and its responsible Finance Officer for the preparation of the accounts.

b) **The Statement of Accounting Policies** (page 20), which states the main principles used to compile the Council's accounts.

c) **The Movement in Reserves Statement** (page 12), shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement.

c) **The Comprehensive Income & Expenditure Statement** (page 14), which is a summary of the income and expenditure received and used to provide services during the year and shows how the net cost of services has been paid for from government grants and income from local taxpayers.

d) **The Balance Sheet** (page 16), which shows the financial position of the Council at the year-end. It includes information on the level of balances and reserves held, the long-term indebtedness of the Council, the fixed and net current assets employed in delivering services and summarised information on fixed assets.

e) **The Cash Flow Statement** (page 18), which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

f) **The Housing Revenue Account Income and Expenditure Statement and Movement on HRA Statement** (page 83), which summarises the transactions in the year in respect of the provision of Council housing within the area of the former South Bedfordshire District Council.

g) **The Collection Fund** (page 88), which shows the transactions of the Council, as billing Council, in relation to National Non-Domestic Rates and Council Tax and how the balance on the Collection Fund has been distributed to the Government, preceptors and the General Fund.

3. The Revenue Outturn Position:

The net revenue budget for 2010/11 was set at £177.0m (£170.6m 2009/10). At 31 March 2011, the net revenue outturn for the year was £176.6m (£178.9m 2009/10); this is an underspend in the year of £0.328m (overspend of £8.3m 2009/10).

The overall position is analysed by directorate in the following table:

<u>Directorate</u>	<u>Approved Budget £000</u>	<u>Outturn including transfers to/from reserves £000</u>	<u>Variance £000</u>
Social Care, Health and Housing	50,976	50,569	(407)
Childrens' Services	32,310	32,968	658
Sustainable Communities	47,310	45,482	(1,828)
Customer and Shared Services	22,447	25,166	2,719
Office of the Chief Executive	4,469	4,236	(233)
Contingency and Reserves	4,077	2,788	(1,289)
Corporate Costs	15,439	15,492	53
Net expenditure on services	177,028	176,701	(327)
Sources of funding:			
Formula Grant	50,714		
Council Tax	126,314		
Total Grants & local taxation	177,028		

The balance on General Fund has also been increased by £1.5m in accordance with our Medium Term Financial Plan, and now stands at a £7.0m which is on track to be at the optimum level by 2015.

Social Care, Health and Housing

The full year outturn position for 2010/11 is an underspend of £0.4m. For older people, care package expenditure was over budget by £1.2m. The main cause was in dementia residential and home care due to the increase in numbers and the increased complexity of care required.

For people with learning disabilities, care package expenditure was over budget by £0.8m. This reflects higher than budgeted transition costs plus costs arising from the emergency closure of an in-house respite unit and additional cross boundary charges.

These were offset by additional customer income received in the Business and Performance service area relating to care packages, savings made from learning disability contracts within commissioning, additional income from gypsy and traveller sites and the close management of the homelessness budgets within Housing.

Children's Services

The full year outturn position for 2010/11 is an overspend of £0.6m. The overspend mainly relates to the number of children requiring social care intervention and also out of county placements for children with special educational needs. The needs-led pressure on the social care and special educational needs budgets remain and have been contained as much as possible by management action to challenge resource allocation on a case by case basis. The overspend in Safeguarding relating to the increased numbers amount to £2.8M.

In year savings in the Music Service were partly achieved against the Music Standards Fund (MSF). 2011/12 will see the Music Service funding moving to grant funding and charging for music lessons at full cost recovery.

Sustainable Communities

The full year outturn underspend after the use of reserves was £1.9m. This includes £0.7m of earmarked reserves that were released as no longer required. All five divisions of the directorate operated under budget after these releases of reserves.

Customer and Shared Services

The year end outturn after planned use of reserves is an overspend of £2.7m overspend.

The main areas of overspend are in assets, finance, people and systems. They can be identified as:

- Systems, staffing and contractor costs to ensure resilience of all ICT systems following the integration of systems
- Staff cost pressures particularly in the revenues and benefits team to address backlogs and increased demands, with claims up 12% in the year;
- Income levels have proved difficult to achieve in Assets due to recessionary pressures and accommodation costs have increased where costs had previously been capitalised.
- People, staffing pressures due to the loss of unbudgeted transitional funding.

Office of the Chief Executive

The outturn is an underspend of £0.2m due to underspends on staff costs and lower residency survey costs.

Corporate Costs

The under spend on corporate costs is mainly due to the release of historic accruals that are no longer required.

Contingency and Reserves

The Council has retained earmarked reserves of £12.1m that are retained against specific projects that would have otherwise been incurred against the General Fund.

Balances available to the Council General Fund	£'000	£'000
Insurance	3,059	
Redundancy	2,117	
Service based	5,853	
Schools Contingency	1,062	
		12,091
Balances not available to the Council General Fund		
HRA Earmarked Reserve	46	
Schools	11,332	
		11,378
Total		23,469

4. The Capital Outturn Position:

The capital programme outturn is £8.9m below the budget, due to a mid year review of the programme to reduce costs and a delay in some key programmes.

The capital programme net budget was set at £30.717m for 2010/11 (£31.978m for 2009/10). The net outturn position for the year totalled £21.556m for 2010/11 (£22.448m for 2009/10), an overspend of £1.356m. This is analysed across the services as follows:

	Revised Full Year Budget	Actual net Spend	Variance
Directorate	£000	£000	£000
Social Care, Health and Housing	2,562	1,842	(720)
Children's services	3,492	1,433	(2,059)
Sustainable Communities	10,436	7,271	(3,165)
Customer and Shared Services	7,793	4,784	(3,009)
Office of the Chief Executive	260	55	(205)
Sub Total	24,543	15,385	(9,158)
Housing Revenue Account	6,174	6,171	(3)
Total	30,717	21,556	(9,161)

5. Capital Resources:

The Council was successful in its application to capitalise redundancy costs arising from the Senior Management Review and resulting from the reduction in Area Based Grant. The capitalisation directive agreed by the Department for Communities and Local Government equated to £0.4m. The Housing Revenue Account's capital programme is funded through the Major Repairs Allowance (£3.7m) usable capital receipts (£1.6m) and revenue contribution (£0.9m).

The Council holds capital receipts totalling £2.6m which is available to finance capital spending or reduce outstanding debt. During 2010/11, the Council received a total of £20.0m (£20.5m 2009/10) from the Government as specified capital grants, and grants and contributions from other sources totalling £9.8m (£12.1m for 2009/10) to provide support to the capital programme.

A PFI credit of £1.88m (£1.88m 2009/10) was also received from the Department of Communities and Local Government in respect of the contract with Bedfordshire Education Partnership Ltd for the provision of new and refurbished buildings at two schools in Bedfordshire.

6. Borrowing:

Within its Treasury Management Strategy, the Council approved an authorised borrowing limit for 2010/11 of £221m (£360m 2009/10). During the year the Council took out no additional borrowing.

7. Investments:

The Council had investments totalling £ 50.1m at 31 March 2011 (£60.1m at 31 March 2010). This represents the investment of surplus revenue and capital funds, which generated investment income of £1.4m in the year (£2.1m 2009/10), against a budget of £1.5m (£2.3m 2009/10).

The current yield on investments of 1.74% (before fees) (1.9% 2009/10) has reduced from last year. This is due to the increase in the level of internal resources utilised to fund capital expenditure.

The investments are managed by a combination of internal and external sources, as follows:

	<u>£'000</u>
Internally Managed	41,000
Liquidity Account	4,475
Externally Managed Lime fund	4,602
	50,077

6. Defined Benefit Pension Scheme:

The deficit on the Local Government Pension Scheme, which is administered by Bedford Borough Council, stood at £197.3m at 31 March 2011 (£326.4m at 31 March 2010). This has improved during the year due to the increase in the value of stock market equity investments.

Full details can be found in note 47 to the Balance Sheet.

7. Efficiencies:

The 2010/11 revenue outturn includes £12.0m of efficiencies which were achieved during the year. The following level of savings were made in services as follows:

- £0.2m Office of the Chief Executive
- £3.1m Childrens' Services
- £2.8m Customer and Shared Services
- £2.7m Social Care, Health and Housing
- £3.2m Sustainable Communities

The major efficiency savings (over £250k) that were achieved are as follows:

- £0.9m Reduction in management costs
- £0.4m Home to school transport policy changes
- £0.3m Savings in financing costs
- £0.4m Additional Social Care, Health & Housing income
- £0.5m Revised pricing on key ICT agreements
- £0.3m Area Based Grant Needs (CSO)
- £0.4m Special education needs contingency (CSO)

- £0.4m Re-alignment of funding for special grant services
Most savings are individually below £250k.

8. Housing Revenue Account (HRA):

The balance on the Housing Revenue Account (HRA) has reduced by £0.482m during the year. The main reason is increased costs of day to day repairs of £0.5m.

9. Council Tax Collection:

The collectable amount in respect of 2010/11 Council Tax was £140m. The Council achieved a collection rate of 97.6% (97.2% 2009/10).

Council tax arrears amounted to £10.2m as at 31 March 2011 (£9.4m as at 31 March 2010). £5.6m of these arrears relate to 2010/11 billing which is expected to be substantially collected during 2011/12.

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable' reserves i.e. those that can be applied to fund expenditure or reduce local taxation, and other 'unusable' reserves. The Surplus / Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes.

The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are unusable reserves, i.e. those reserves that the Council may not use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

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

MOVEMENT IN RESERVES STATEMENT

<u>Usable 2010/11</u>	General	General Fund	HRA	HRA	Capital	Capital Grants	Major	Schools	Usable
	Fund	Earmarked		Earmarked	Receipts	Unapplied	Repairs		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance @ 31st March 2010	(5,163)	(10,574)	(4,223)	(60)	(30,942)	0	(200)	(9,028)	(60,191)
Movement in Reserves during 2010/11:									
(Surplus)/deficit on provision of services	(30,812)	0	36,282	0	0	0	0	0	5,470
Other Comprehensive I&E	1,538	0	0	0	0	0	0	0	1,538
Total Comprehensive I&E	(29,274)	0	36,282	0	0	0	0	0	7,008
Adjustments between accounting basis and funding basis under regulations (note 7)	25,931	0	(35,787)	0	28,374	(1,480)	0	(2,304)	14,736
Net increase/decrease before transfers to Earmarked Reserves	(3,343)	0	495	0	28,374	(1,480)	0	(2,304)	21,744
Transfers (to)/from Earmarked Reserves (note 8)	1,516	(1,516)	(14)	14	0	0	0	0	0
(Increase)/Decrease in year	(1,827)	(1,516)	481	14	28,374	(1,480)	0	(2,304)	21,744
Balance @ 31st March 2011	(6,990)	(12,091)	(3,742)	(46)	(2,568)	(1,480)	(200)	(11,332)	(38,448)

<u>Unusable 2010/11</u>	Revaluation	Available For Sale	Pensions	Capital Adjustment a/c	Deferred Capital Receipts	Financial Instrument	Collection Fund	Single Status	Short term Accumulated Absence	Unusable Total	GRAND Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance @ 31st March 2010	(43,163)	415	326,356	(870,759)	(72)	2,505	0	2,625	8,013	(574,080)	(634,271)
Movement in Reserves during 2010/11:											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	5,470
Other Comprehensive I&E	(9,779)	(359)	(73,200)	0	0	0	0	0	0	(83,338)	(81,800)
Total Comprehensive I&E	(9,779)	(359)	(73,200)	0	0	0	0	0	0	(83,338)	(76,330)
Adjustments between accounting basis and funding basis under regulations (note 7)	2,923	342	(55,874)	43,264	0	(440)	0	(2,625)	(2,326)	(14,736)	0
Net increase/decrease before transfers to Earmarked Reserves	(6,856)	(17)	(129,074)	43,264	0	(440)	0	(2,625)	(2,326)	(98,074)	(76,332)
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in year	(6,856)	(17)	(129,074)	43,264	0	(440)	0	(2,625)	(2,326)	(98,074)	(76,332)
Balance @ 31st March 2011	(50,019)	398	197,283	(827,494)	(72)	2,065	0	0	5,687	(672,153)	(710,604)

Usable 2009/10	General Fund	General Fund Earmarked	HRA	HRA Earmarked	Capital Receipts	Capital Grants Unapplied	Major Repairs	Schools	Usable Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance @ 31st March 2009	(2,386)	(23,804)	(4,039)	0	(31,909)	0	(200)	(8,996)	(71,334)
Movement in Reserves during 2009/10:									
(Surplus)/deficit on provision of services	52,619	0	14,454	0	0	0	0	0	67,073
Other Comprehensive I&E	(5,286)	0	0	0	0	0	0	0	(5,286)
Total Comprehensive I&E	47,333	0	14,454	0	0	0	0	0	61,787
Adjustments between accounting basis and funding basis under regulations (note 7)	(36,879)	0	(14,698)	0	967	0	0	(32)	(50,642)
Net increase/decrease before transfers to Earmarked Reserves	10,454	0	(244)	0	967	0	0	(32)	11,145
Transfers (to)/from Earmarked Reserves (note 8)	(13,230)	13,230	60	(60)	0	0	0	0	0
(Increase)/Decrease in year	(2,777)	13,230	(184)	(60)	967	0	0	(32)	11,145
Balance @ 31st March 2010	(5,163)	(10,574)	(4,223)	(60)	(30,942)	0	(200)	(9,028)	(60,191)

Unusable 2009/10	Revaluation	Available For Sale	Pensions	Capital Adjustment a/c	Deferred Capital Receipts	Financial Instrument	Collection Fund	Single Status	Short term Accumulated Absence	Unusable Total	GRAND Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance @ 31st March 2009	(31,968)	634	158,326	(916,359)	(72)	442	(128)	2,624	6,086	(780,415)	(851,750)
Movement in Reserves during 2009/10:											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	67,073
Other Comprehensive I&E	(11,981)	(340)	168,013	0	0	0	0	0	0	155,692	150,406
Total Comprehensive I&E	(11,981)	(340)	168,013	0	0	0	0	0	0	155,692	217,479
Adjustments between accounting basis and funding basis under regulations (note 7)	786	121	17	45,600	0	2,063	128	1	1,927	50,643	1
Net increase/decrease before transfers to Earmarked Reserves	(11,195)	(219)	168,030	45,600	0	2,063	128	1	1,927	206,335	217,480
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in year	(11,195)	(219)	168,030	45,600	0	2,063	128	1	1,927	206,335	217,480
Balance @ 31st March 2010	(43,163)	415	326,356	(870,759)	(72)	2,505	0	2,625	8,013	(574,080)	(634,271)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10			2010/11		
<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000	<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000
Service Analysis					
69,238	(67,036)	2,202	85,193	(78,426)	6,767
702	(409)	293	0	(0)	0
56,067	(13,333)	42,734	52,450	(9,873)	42,577
325,069	(268,728)	56,341	320,730	(266,391)	54,339
22,824	(3,364)	19,460	26,516	(4,325)	22,191
40,469	(26,091)	14,378	67,049	(26,733)	40,316
9,243	(3,306)	5,937	10,231	(4,465)	5,766
85,878	(29,960)	55,918	92,785	(33,713)	59,072
4,549	(2,205)	2,344	5,776	(612)	5,164
13,277	(2,819)	10,458	(60,783) ¹	(1,501)	(62,284)
627,316	(417,251)	210,065	599,947	(426,039)	173,908
Cost of Services					
Notes					
Other Operating Expenditure					
		8,133		9	8,504
		653			672
		(828)			621
		29,614			33,065
		37,572			42,862
Financing and Investment Income and expenditure					
		7,028		10	5,718
		2			94
		1,318			1,623
		29,350			34,708
		(16,235)			(23,446)
		(2,084)			(1,393)
		(7,907)			(5,861)
		0			47
		(2,189)			(1,714)
		1,066			381
		10,350			10,157
		0			0
(Surplus)/Deficit of Discontinued Operations					

continued

¹ Includes £62,767k credit from Pension Fund Actuary's report for "past service costs" related to the Council.

	Taxation and Non-Specific Grant Income	11	
(129,901)	Council tax		(134,646)
(40,146)	National Non-Domestic Rates (NNDR)		(44,284)
(9,266)	Revenue Support Grant (RSG) and non-ring fenced government grants		(18,087)
(11,601)	Non-service related government grants		(24,440)
(190,914)			(221,457)
67,073	(Surplus)/Deficit on Provision of Services		5,470
	(Surplus)/deficit on revaluation of non-current assets;		
(11,749)	Revaluation gains		(14,181)
(232)	Revaluation losses (chargeable to Revaluation Reserve)		4,402
(340)	(Surplus)/deficit on revaluation of available for sale assets		(359)
168,013	Actuarial (gain)/losses on pensions asset/liabilities		(73,200)
(5,286)	Other		1,538
150,406	Other Comprehensive Income and Expenditure-(Surplus)/Deficit		(81,800)
217,479	Total Comprehensive Income and Expenditure-(Surplus)/Deficit		(76,330)

BALANCE SHEET

<u>1st April</u> <u>2009</u> <u>£'000</u>	<u>31st</u> <u>March</u> <u>2010</u> <u>£'000</u>		<u>Note</u>	<u>31st</u> <u>March</u> <u>2011</u> <u>£'000</u>	<u>31st</u> <u>March</u> <u>2011</u> <u>£'000</u>
		<u>Property, Plant & Equipment:</u>	12		
354,889	339,593	Council Dwellings		297,707	
549,728	529,657	Other Land and Buildings		507,358	
8,026	8,946	Vehicles, Plant, Furniture and Equipment		7,832	
139,311	146,270	Infrastructure Assets		156,096	
2,377	2,027	Community Assets		1,958	
25,642	30,246	Assets under Construction		30,467	
2,062	1,802	Surplus assets not held for sale		1,951	
127	77	Finance leases (CBC lessee)- Fleet vehicles	41	37	
0	0	Finance leases (CBC lessee)- Multi functional devices printers equipment	41	1,121	
1,082,162	1,058,618				1,004,527
		<u>Investment Properties:</u>	13		
48,959	56,856	Investment Properties		63,462	
48,959	56,856				63,462
		<u>Intangible Assets</u>	14		
4,622	4,922	Software		5,744	
4,622	4,922				5,744
		<u>Long Term Investments:</u>	15		
5,188	5,936	Non property investments		4,602	
5,188	5,936				4,602
		<u>Long Term Debtors</u>	15		
845	712	Long Term General Debtors (>1 year)		654	
845	712				654
1,141,776	1,127,044	Long Term Assets			1,078,989
56,683	54,737	Short Term Investments- principal	15	41,000	
1,485	708	Short Term Investments- principal		536	
0	660	Assets Held for Sale	20	855	
		<u>Inventories:</u>	16		
42	46	Stocks and Works in Progress		48	
		<u>Short Term Debtors</u>	18		
66,321	56,435	General Debtors (<1 year)		64,323	
39,786	16,595	Cash and Cash Equivalents	19	5,057	
164,317	129,181	Current Assets			111,820

continued

(1,449)	(5,006)	Short Term Borrowing	15	(646)
		<u>Short Term Creditors</u>	21	
(86,189)	(68,992)	General Creditors (within one year)		(57,632)
(46)	(43)	Finance Leases Creditors (<1 year)- Fleet vehicles		(19)
0	0	Finance Leases Creditors (<1 year)- Multi functional devices printers equipment		(371)
(3,586)	(5,742)	Provisions	22	(3,908)
(6,086)	(8,013)	Provisions- accumulated absences		(5,687)
(97,356)	(87,795)	Current Liabilities		(68,262)
		<u>Long Term Creditors</u>	15	
(75)	(35)	Long Term Finance Leases Creditors (>1 year)- Fleet Vehicles		(16)
0	0	Long Term Finance Leases Creditors (>1 year)- Multi functional devices printers equipment		(560)
(20,459)	(19,716)	Private Finance Initiative (PFI)	42	(19,157)
(3,466)	(3,126)	Provisions	22	0
(154,372)	(154,183)	Long Term Borrowing	15	(153,621)
		<u>Other Long Term Liabilities:</u>	15	
(158,326)	(326,355)	Liability to Defined Benefit Pension Scheme		(197,282)
(10)	(11)	Investment funds		(34)
(20,279)	(30,733)	Capital Grants (receipts in advance)	38	(41,274)
(356,987)	(534,158)	Long Term Liabilities		(411,945)
851,750	634,271	Net Assets		710,601
		<u>Usable Reserves</u>	23	
(2,386)	(5,163)	General Fund (GF) Reserve		(6,990)
(23,804)	(10,574)	GF Earmarked Reserves		(12,091)
(4,039)	(4,223)	Housing Revenue Account (HRA) Balance		(3,742)
(0)	(60)	HRA Earmarked Reserves		(46)
(31,909)	(30,942)	Usable Capital Receipts Reserve		(2,568)
(0)	(0)	Capital Grants Unapplied		(1,480)
(200)	(200)	Major Repairs Reserve		(200)
(8,996)	(9,028)	Schools Reserve		(11,332)
(71,334)	(60,191)			(38,448)
		<u>Unusable Reserves</u>	24	
(31,968)	(43,163)	Revaluation Reserve		(50,019)
634	415	Available for sale Fin Instruments Reserve		398
(916,359)	(870,759)	Capital Adjustment Account		(827,494)
442	2,505	Financial Instruments Adjustment account		2,065
158,326	326,356	Pension Reserve		197,283
(72)	(72)	Deferred Capital Receipts		(72)
(128)	(0)	Collection Fund Adjustment Account		0
2,624	2,625	Unequal Pay Back Pay Account (Single Status)		0
6,086	8,013	Short Term Accumulating Compensated Absences		5,687
(780,415)	(574,080)			(672,153)
(851,750)	(634,271)	Total Reserves		(710,601)

CASH FLOW STATEMENT

2009/10 £'000		Note	2010/11 £'000	2010/11 £'000
(67,073)	Net surplus/(deficit) on the provision of services			(5,470)
	Adjustment net surplus/(deficit) on the provision of services for non-cash movements			
29,934	- Depreciation and impairment		24,385	
(3,453)	- Deferred grants amortised in year		0	
2,165	- Pension fund adjustment		55,873	
41,592	- Other movements in General Fund		(16,591)	
4,473	- Repayment of loans		5,570	
359	- Revenue contribution to capital		667	
1,816	- Contributions to provisions		(4,960)	
(8,657)	- Contributions to capital reserves		(16,399)	
(13,327)	- Contributions to revenue reserves		7,159	
54,902				55,704
	Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities			
4,199	- Interest and investment income		4,765	
(224)	- Revenue expenditure financed from capital under statute (REFCUS)		(12,103)	
0	- Gain/(loss) on disposal of assets		(32,421)	
(4)	- (Increase)/decrease in stock		(2)	
12,669	- (Increase)/decrease in debtors		(7,952)	
(19,268)	- (Increase)/decrease in creditors		(8,702)	
(2,628)				(56,415)
(14,798)	Net cash flows from operating activities- inflow/(outflow)	25		(6,181)
	Investing activities	26		
(43,061)	- Purchase of Property, Plant & Equipment, investment properties and intangible assets		(42,769)	
1,698	- Purchase of short term and long term investments		1,497	
(8,201)	- Other payments for investing activities		(5,456)	
18,604	- Proceeds from the sale of Property, Plant & Equipment, investment properties and intangible assets		1,206	
2,106	- Capital grants		32,374	
2,599	- Proceeds from short term and long term investments		13,909	
12,939	- Other receipts from investing activities		0	
(13,316)				761
	Financing activities	27		
0	- Other receipts from financing activities		6	
0	- Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(559)	
4,993	- Repayments of short term and long term borrowing		(5,565)	
4,993				(6,118)
(23,122)	Net increase/(decrease) in cash and cash equivalents			(11,538)
39,716	Cash and cash equivalents at 1st April			16,595
16,595	Bank current account		5,057	
16,595	Cash and cash equivalents at 31st March	19		5,057

NOTES TO THE STATEMENT OF ACCOUNTS

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Note 1) Accounting policies

a) Accruals of Expenditure and Income

Income and expenditure is accounted for in the year it takes place, not simply when cash is paid or received. In particular;

Customer and client receipts in the form of sales, fees, charges and rents are accounted for in the period to which they relate. Where income has been recognised but cash has not yet been received, a debtor is recorded within the Balance Sheet.

Where there is uncertainty that all the income accrued and accounted for will be collected, a provision for bad debts is created by a charge to services within the Comprehensive Income and Expenditure Statement to reflect the value of the income that may not be received.

Where income has been received in the year in relation to activities to be carried out in the following financial year, a receipt in advance is recorded in the Balance Sheet.

Employee costs are charged in full 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.

Supplies and Services are accounted for in the period during which they were consumed or received. An accrual is made for all material sums unpaid at the year end for goods and services consumed or received by that date and a creditor is recorded within the Balance Sheet. If there is a gap between the receipt of goods and their consumption, then they are carried as inventories within the Balance Sheet.

Where expenditure has taken place within the year that relates to activities to be carried out in the following financial year, a payment in advance is recorded within the Balance Sheet.

Works are charged as expenditure as they are completed, before which they are treated as work-in-progress in the Balance Sheet.

Interest payable and receivable is accounted for in the year to which it relates. An effective interest rate calculation is needed when the loan or investment includes variable rate options, which can be exercised over the life of the loan. In these cases the charge or credit to the revenue account represents the interest calculated using the effective interest rate, rather than the contractual arrangement and the carrying value of the loan or investment is adjusted in the Balance Sheet. Where an effective interest rate calculation has not been made an accrual is made for any interest accounted for but not received or paid at the year-end, which adjusts the carrying value of the principal of the loan(s) or investment(s) within the Balance Sheet.

The Council acts as an agent for the Government for the collection of National Non-Domestic Rates (NNDR) and for Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority in respect of Council tax collected on their behalf. At the year-end the amount of NNDR and Council tax due to, or owed by, these organisations but not yet received or paid is recognised in the Balance Sheet as a creditor or debtor as appropriate.

The de-minimis level for non-schools accruals is individual invoice items of £10k and above, for schools this is £1k.

For NNDR, this value represents the balance due to or from the Government in respect of the contribution to the NNDR Pool, adjusted for NNDR arrears at the year-end, net of the associated bad debts provision.

For Council Tax, this value represents the share of the Collection Fund balance due to or from Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority, adjusted for Council tax arrears at the year-end that are attributable to these precepting bodies, net of the associated bad debts provision.

Exceptional items are when items of income and expense are material but do not fit any of the definitions of other classifications. Their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

b) Acquired Operations (note 29)

When necessary, income and expenditure directly related to other acquired operations will be shown separately within the Comprehensive Income and Expenditure Statement under the heading of acquired operations.

c) Area Based Grant

Area Based Grant (ABG) is a general grant made up of former specific grants provided by the Government. The Council is free to use this grant to support its local priorities as it sees fit.

The Council's policy on grants is outlined in Section O of the Accounting Policies.

d) Back Pay Arising from Unequal Pay Claims

Following detailed investigation the reserve for unequal pay claims was closed in 2010/11.

e) Business Improvement District Schemes

Central Bedfordshire Council does not run a Business Improvement District Scheme.

f) Cash and Cash Equivalents (note 19)

The Council defines cash as:

- Cash held, in hand
- Cash held in instant access deposit accounts

Cash equivalents are defined as highly liquid deposits. The Council defines investment deposits maturing within one month of Balance Sheet date as cash equivalents.

Assets are defined as cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability at least 12 months after Balance Sheet date.

g) Contingent Assets (note 49)

Contingent assets are not included in either the Comprehensive Income and Expenditure Statement or Balance Sheet but are disclosed in note 49.

Contingent Assets are not accounted for within the Financial Statements, figures provided in the Notes to the Statements are estimates.

h) Contingent Liabilities (note 48)

Contingent liabilities are not included in either the Comprehensive Income and Expenditure Statement or Balance Sheet, but are disclosed in note 48.

Contingent Liabilities are not accounted for within the Financial Statements, figures provided in the Notes to the Statements are estimates.

i) Discontinued Operations (note 29)

When necessary, income and expenditure directly related to dis-continued operations are shown separately within the Comprehensive Income and Expenditure Statement under the heading of discontinued operations.

j) Employee Benefits

Pensions:

Most employees of the Council participate in one of two pension schemes to meet the needs of employees in particular services. Both schemes provide final salary defined benefits, in the form of lump sums and annual pensions, based on scheme membership earned during the time the employee worked for the Council.

1) Local Government Pension Scheme

All employees (other than teachers) and Councillors, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The scheme is known as the Bedfordshire Pension Fund and is administered by Bedford Borough Council in accordance with the Pensions Regulations 2008 on behalf of all participating employers within the Bedfordshire area.

The accounts have been prepared in accordance with IAS19 on Accounting for Retirement Benefits. This scheme is accounted for as a defined benefit scheme as follows:

- The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of earnings for current employees.

Those liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on a high quality corporate bond each year-end as prescribed by IAS19.

- The assets of the Fund attributable to the Council are included at their fair value on the following basis;
 - Quoted securities – current bid price.
 - Unquoted securities – market value.
 - Unitised securities – current bid price.
 - Property professional estimate.
- The change in the net pensions liability is analysed into seven components;
 - **Current service cost.** The increase in liabilities as a result of years of service earned this year, which is charged to the revenue accounts of the services for which the employee worked.
 - **Past service cost.** The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years and which is charged to Net Cost of Services as part of Non-Distributed Costs.
 - **Interest cost.** The expected increase in the present value of liabilities during the year as they move one year closer to being paid and which is charged to Net Operating Expenditure.

- **Expected return on assets.** The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, which is credited to Net Operating Expenditure.
- **Gains and losses on settlements and curtailments.** The results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, which is charged to the Net Cost of Services as part of Non-Distributed Costs.
- **Actuarial gains and losses.** Changes in the net pension liability that arise because events have not coincided with the assumptions made at the last actuarial valuation or because the actuary has updated their assumptions. These changes are not charged to revenue.
- **Contributions paid to the Fund.** Cash paid as the employer's contribution to the Pension Fund.

Statutory provisions limit the Council to raising Council tax to cover the amounts payable by the Council to the Pension Fund. In the Statement of Movement in Reserves, the notional debits and credits for retirement benefits are removed and replaced with debits for the actual cash paid to the Pension Fund and any amounts payable to the Pension Fund that are unpaid at the year-end. Similar adjustments are made within the Statement of Movement on the Housing Revenue Account Balance in respect of Pension Fund transactions in relation to the provision of Council housing.

2) Teachers' Pension Scheme

The Teachers' Pension Agency (TPA) manages this scheme on behalf of the Department for Education (DfE). Although the scheme is unfunded, the government has set up a notional fund as the basis for calculating employers' contributions. The Council contributes at rates determined by the DfE.

This scheme is accounted for as a defined benefit scheme and the Children's Services area within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions to teachers' pensions in the year. There is no recognition made in the balance Sheet for the future payment of benefits.

3) Early Retirements

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

Benefits payable during employment:

Benefits payable during employment are split in classification to short and long term.

Short term employee benefits are those falling due wholly within 12 months of the Balance Sheet date, in which the employees render the related service and include:

- Wages, salaries and social security contributions
- Short-term compensated absences
- Bonuses and similar payments
- Non-monetary benefits.

Other longer-term employee benefits are those not falling wholly within 12 months of the Balance Sheet date.

Termination benefits:

Termination Benefits such as lump sum payments on termination of employment not associated with retirement are now required to be charged to Surplus or Deficit on the

Provision of Services immediately whether they vest immediately or not. They are not to be amortised over a straight-line basis over the period in which the increase in benefit vests, as was previously required.

k) Events After the Balance Sheet Date (note 6)

Events after the Balance Sheet date are defined as:

- An adjusting event occurs where an event takes place after the Balance Sheet date, which provides evidence that the condition(s) existed at the Balance Sheet date. In this case, the amounts recognised in the Statement of Accounts are adjusted.
- A non-adjusting event occurs where an event takes place after the Balance Sheet date, which indicates that the conditions giving rise to the event arose after the Balance Sheet date. In this case, the amounts recognised in the Statement of Accounts are not adjusted.

l) Exceptional Items and Prior Period Adjustments

Material adjustments applicable to prior years arising from changes to accounting policies or from the correction of fundamental errors are accounted for by re-stating the comparative figures for the preceding period.

With the implementation of IFRS considerable restatement of prior year figures and comparators have been made.

m) Financial Instruments

Financial Liabilities

1) Borrowing

Borrowing is classed as either a long-term liability, if it is repayable after 12 months or longer or a current liability if it is repayable within 12 months. Borrowing is shown at either current cost if the borrowing attracts a fixed rate of interest or at amortised cost using an effective interest rate if the borrowing has a stepped interest rate facility. In the case of fixed interest rate loans, usually from the Public Works Loans Board, the amount of interest accrued in the year is added to the loan principal to arrive at the carrying value of the loan at the Balance Sheet date. In the case of stepped interest rate loans such as Lender Option, Borrower Option Loans (LOBO), the value of the principal held within the Balance Sheet is adjusted to reflect the effective interest applicable to the loan over its life.

The interest charges to the Comprehensive Income and expenditure therefore vary depending on whether an effective interest calculation has been made or not. For fixed rate loans the interest charged to the Comprehensive Income and Expenditure Statement is the amount due under the loan agreement. If an effective interest calculation has been used then a constant interest charge is made to the Comprehensive Income and Expenditure Statement over the life of the loan with the difference between this and the annual interest due under the loan agreement being adjusted within the Movement in Reserves Statement.

2) Trade creditors

Trade creditors are recognised when a contractual arrangement is entered into between the Council and a supplier to provide goods and services for an agreed price. The value of trade creditors recognised in the Balance Sheet represents the current value of the outstanding liabilities of the Council at 31 March 2011 as a proxy for amortised cost.

Creditors for taxation, Council tax, NNDR and other creditors where no trading agreement exists are excluded from trade creditors.

3) Interest

Interest is earned annually by investing surplus money with financial institutions and this is credited to the Comprehensive Income and Expenditure Statement. This interest is however adjusted by further transactions with ring-fenced balances of the Council as follows:

- The Housing Revenue Account (HRA) receives interest from the General Fund on its cash balances during the year and
- Schools do not receive interest on unspent balances they hold.

These interest adjustments are shown within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Financial Assets

The Council holds two types of financial assets – loans and receivables and available for sale assets.

1) Loans and Receivables

Loans and receivables are financial assets that have fixed or determinable payments but are not quoted or traded in an active market. The Council holds investments with financial institutions, trade debtors and mortgages as loans and receivables within its Balance Sheet.

Investments are placed with banks, building societies and occasionally, the money market. They are classed as long-term assets if repayable after 12 months or longer or short-term assets if repayable within 12 months. Initial measurement is at fair value and they are carried in the Balance Sheet at amortised cost, meaning that the Balance Sheet value represents the outstanding principal due under the loan agreement adjusted for the accrual of interest outstanding at the year-end. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement. This interest is supplemented by interest charges payable by the HRA to the General Fund calculated under the Housing Subsidy item 8 determinations.

Where the value of an investment is deemed to be impaired i.e. it is worth less than its carrying value, then the loan is written down to its recoverable amount through the Comprehensive Income and Expenditure Statement in the year the impairment is recognised.

i) Trade Debtors

Trade debtors are recognised when a contractual arrangement is entered into between the Council and a customer to provide goods and services for an agreed price. The value of trade debtors recognised in the Balance Sheet represents the current value of the outstanding debt owed to the Council at 31 March 2011, as a proxy for amortised cost. Debtors for taxation, Council tax, NNDR and other debtors where no trading agreement exists are excluded from trade debtors.

ii) Soft Loans

Soft loans arise where the Council provides a loan facility at a discounted interest rate such as officers car loans, credit union etc. The loss of interest is charged to the Comprehensive Income and Expenditure Statement and is calculated by assessing the present value of the interest that will be foregone over the life of the loan. The carrying value of the loan within the Balance Sheet is less than the principal advanced under the loan agreement.

The soft loans currently held by the Council are however not material in value and the current accounting treatment does not follow the guidance as the amounts recorded in the Balance Sheet reflect the cash advances made under the loan agreement.

Gains and Losses on De-recognition

A financial asset becomes de-recognised when the contractual rights to the cash flows from the financial asset have expired or transferred. Any gains or losses that arise on de-

recognition are charged or credited to the Comprehensive Income and Expenditure Statement in the year de-recognition takes place.

2) Available for Sale Assets

Available-for-Sale assets are initially measured and carried at fair value using the following principles;

- Assets with quoted market prices – the bid or market value.
- Assets with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Interest received from investments in available-for-sale assets is recognised within the Comprehensive Income and Expenditure Statement on an amortised cost basis using the relevant effective interest rate for the particular asset. Other income received on available-for-sale assets, where there are no fixed or determinable payments e.g. dividends, is recognised in the Comprehensive Income and Expenditure Statement when it becomes due.

Changes in fair value are balanced by entries to the Available-for-Sale Reserve and any gains or losses recognised in the Movement in Reserves Statement, except where impairment losses have been incurred. In this case, the losses are charged to the Comprehensive Income and Expenditure Statement along with any net gain or loss for the asset accumulated within the Asset-for Sale Reserve.

Where an Available-for-Sale asset is sold or matures, any change between the sale proceeds and the fair value at the previous Balance Sheet date is charged or credited to the Comprehensive Income and Expenditure Statement in the year of the sale or maturity. At the same time, any amounts remaining in the Available-for-Sale Reserve in respect of the asset are transferred through the Movement in Reserves Statement to the General Fund.

3) Gains and Losses on Debt Restructuring

Gains and losses on debt re-structuring arise when external loans are repaid prematurely by the Council. Gains, or discounts, arise when the rate of interest on the loan repaid prematurely is lower than current interest rates for long-term borrowing. Conversely losses, or premiums, arise when the rate of interest on the loan repaid prematurely is higher than current interest rates for long-term borrowing.

For gains and losses on debt restructuring arising after 1 April 2007, the full value of the gain or loss is usually recognised within Net Cost of Service in the Comprehensive Income and Expenditure Statement in the year the re-structuring takes place.

However, where a loan with the same lender is modified i.e. where the net present value of the replacement loan varies by no more than 10% of the original loan and the exchange of loans takes place on the same day, then the effect of the resulting premium or discount can be charged to Net Cost of Services over the term of the replacement loan, rather than in the year the premium or discount arises.

Statutory guidance issued by the Department for Communities and Local Government (DCLG) allows for gains and losses arising from the early repayment of loans to be charged to the General Fund or the Housing Revenue account over a number of years, rather than be recognised in the year the repayment is made.

The Council's policy over the treatment of gains and losses is as follows;

- Gains giving rise to discounts are credited to the General Fund over the remaining life of the loan repaid at the time of repayment or 10 years, whichever is the shorter.
- Losses giving rise to premiums are charged to the General Fund over the remaining life of the loan at the time of repayment or the life of the new loan, whichever is the shorter.

The Comprehensive Income and Expenditure Statement reflects the requirements of the guidance. Differences between the gains and losses on debt re-structuring within the Comprehensive Income and Expenditure Statement and the amounts chargeable to the General Fund or the Housing Revenue Account under statute are adjusted through the Movement in Reserves Statement or the Statement of Movement on the Housing Revenue Account Balance as appropriate and transferred to the Financial Instruments Adjustment Account in the Balance Sheet.

n) Foreign Currency Translation

Any income or expenditure arising from transactions denominated in foreign currency are translated into Sterling (£) at the exchange rate in operation on the date on which the transaction occurred and recognised in the Comprehensive Income and Expenditure Statement at that value.

There is little direct impact upon the Council in terms of foreign currency transactions.

o) Government Grants and Other Contributions (notes 11 and 38)

Whether paid on account, in arrears or by instalments, Government grants and other contributions are accounted for on an accruals basis and recognised as income when the Council has met the conditions of entitlement to the grant or contribution and there is reasonable assurance that the grant or contribution will be received.

Revenue Grants and Contributions:

Revenue grants and contributions are matched in the Comprehensive Income and Expenditure Statement to the service expenditure to which they relate. Revenue grants received in advance of need are treated as creditors (receipt in advance) until such time as they can be justifiably recognised as income and credited to the Comprehensive Income and Expenditure Statement. Grants to cover general expenditure, such as the Revenue Support Grant, are credited to the Comprehensive Income and Expenditure Statement after Net Cost of Services.

Capital Grants and Contributions:

Capital Grants or Contributions and donated assets are to be accounted for through the Comprehensive Income and Expenditure Statement once any conditions have been met and the expenditure has been incurred. The grant or contribution is then transferred from the general fund to the Capital Adjustment Account (CAA), reflecting the application of capital resources to finance expenditure. The transfer is reported in the Movement in Reserves Statement.

Where a Capital Grant or Contributions are received and conditions remain outstanding at the balance sheet date, the grant or contribution is to be recognised in Capital Grants Receipts in Advance. Once conditions are met, the Grant or Contribution will be transferred from the Capital Grants Receipts in Advance and recognised in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution is received and there are no conditions but the expenditure has not been incurred at the balance sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied account, reflecting its status as a capital resource available to finance expenditure. When the expenditure to be financed from the Grant or Contribution is incurred, the Grant or Contribution shall be transferred from the Capital Grants Unapplied account to the Capital Adjustment Account.

p) Intangible Assets (note 14)

An intangible asset is a fixed asset that does not have physical substance but is identifiable and is controlled by the Council through custody or legal rights and provides benefit to the

Council for periods of more than one year. Expenditure on intangible assets is capitalised on an accruals basis.

These assets are carried in the Balance Sheet at cost and are amortised to the Comprehensive Income and Expenditure Statement on a straight-line basis over their economic lives, subject to a maximum of 10 years, depending on the type of asset.

Only intangible assets that have a discernable market value can be re-valued and as a consequence none of the Council's intangible assets are included within the current revaluation programme.

The definition of intangibles has been extended under IFRS to include internally generated intangible assets, for example a software database created by staff.

Disposals of intangible assets are recognised by charging the Comprehensive Income and Expenditure Statement with the carrying value of the asset at the time of the disposal and crediting the Comprehensive Income and Expenditure Statement with the sale proceeds. The resulting gain or loss on disposal is reversed through the Statement of Movement on the General Fund Balance, or the Statement of Movement on the Housing Revenue Account Balance in the case of housing related assets, to the Capital Adjustment Account for the carrying value of the asset and the Capital Receipts Reserve for the sale proceeds.

q) Inventories and Long-term Contracts (notes 16 and 17)

Inventories are valued in the Balance Sheet as:

- Inventories acquired through a non-exchange transaction, valued at their fair value as at the date of acquisition
- Inventories provided at no charge or for a nominal charge, valued at the lower of cost and current replacement cost
- All other inventories, value at the lower of cost and net realisable value.

The Council has no inventories:

- Acquired through a non-exchange transaction, which would be valued at their fair value as at the date of acquisition, or
- Held for distribution at no charge or for a nominal charge / consumption in the production process of goods to be distributed at no charge or for a nominal charge, which would be valued at the lower of cost and current replacement cost.

r) Investment Property (note 13)

An Investment Property is defined as a property that is solely owned/used to earn rental or for capital appreciation, or both. After initial recognition at cost, Investment Properties are held at fair value and are not depreciated.

After initial recognition, any gain or loss arising from a change in the fair value of investment property is recognised in the surplus or deficit on the provision of services, for the period in which it arises. The fair value of investment property shall reflect market conditions at the balance sheet date.

Investment Properties that a Council decides to sell are not reclassified as held for sale but remain investment property, until the sale.

s) Landfill Allowances Schemes

Landfill allowances, whether allocated from the Department for Environment, Food and Rural Affairs or purchased from another waste disposal Council are recognised as current assets and are initially measured at fair value.

The allowances are released as income on a systemic basis over the compliance year for which the allowances are allocated.

As landfill is used, a liability is recognised in the form of 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.

The Council has no Landfill Allowances Schemes.

t) Leases (note 41)

The Council separates leases of land and buildings into land and buildings elements, and classify and account for those elements separately.

The tests used to establish whether the lease is Finance or Operating are as listed below. The examples are of situations that individually or in combination would normally lead to a lease being classified as a Finance lease:

- The lease transfers ownership of the asset to the lessee by the end of the lease term
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value (FV), so as to make it reasonably certain the option will be exercised
- The lease term is for the major part of the economic life of the asset (specified by the Council as 70%)
- The present value of minimum lease payments amount to at least substantially all the FV of the leased assets (specified by the Council as 70%)
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications

Please note that due to its infinite life, land is classified as an operating lease, unless the title is expected to pass to the lessee at the end of the lease. The Council has no leases (as lessor or lessee) where ownership transfers at the end of the lease.

1) Finance Leases (the Council as lessee)

The Council accounts for leases as Finance leases when substantially all the risks and rewards relating to leased property transfer to the Council. Rentals payable are apportioned between;

- A charge for the interest in the property, which is recognised as a liability in the Balance Sheet at the start of the lease and is matched with a tangible fixed asset. The liability is written down as the rental becomes payable and
- A finance charge, which is debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement as the rent becomes payable.

Fixed assets recognised under Finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the estimated useful life of the asset.

2) Operating Leases (the Council as lessee)

Leases that do not meet the definition of a Finance lease are accounted for as Operating leases. Lease rentals are charged to the relevant service revenue account within the Comprehensive Income and Expenditure Statement on a straight-line basis over the terms of the lease, generally meaning that rentals are charged when they become payable.

3) Finance leases (the Council as lessor)

There are no material leases (individually or as a group), where the Council is lessor, that meet the requirements above to be classified as Finance leases.

4) Operating leases (the Council as lessor)

The Council also acts in the capacity as lessor for the lease of land and property it owns. Rent due under these Operating leases is accounted for on a straight-line basis over the life of the lease. Land and property leased under Operating leases are held as fixed assets within the Balance Sheet and valued in accordance with the Council's valuation policies.

u) Assets Held for Sale (note 20)

An asset held for sale is measured at the lower of its carrying amount and its fair value less costs to sell.

The definition of an asset held for sale should meet the following criteria:

- The asset (or disposal group) must be available for sale for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups)
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan, must have been initiated
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value

Where the sale is expected to be completed within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn, will qualify the asset for current status and therefore recognition. Where the criteria is not met non-current status is recognised.

Depreciation on assets held for sale is not made.

Rights to Buys are classified as assets held for sale at year end, where there is certainty the sale will complete.

v) Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting code of Practice.

Where practical, support services have been allocated to capital schemes, where it can be shown that these support costs directly contribute to the delivery of these schemes.

The full cost of overheads and support services to be charged to the Comprehensive Income and Expenditure Statement is shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core: which represent costs relating to the Council's status as a multi-functional democratic organisation
- Non-distributed costs: which include the cost of discretionary benefits awarded to employees who are taking early retirement

w) PFI Schemes (note 42)

Councils are required to treat PFI contracts in a manner that is consistent with the requirements of International Financial Reporting Standard IFRIC12 – Service Contracts, which requires PFI-funded assets and liabilities to be recorded within the Balance Sheet.

However the existing PFI contract in place relates to the development of two newly created Foundation Schools and therefore does not relate to assets of the Council. The liability continues to be recorded in the Balance Sheet.

For any new PFI projects that may arise in the future;

- Land and property used in the PFI contract will be recognised as assets within its Balance Sheet.
- A related deferred liability will be recognised within the Balance Sheet at the same time.
- The initial recognition of the assets and the deferred liability will be at fair value, calculated as being the cost to purchase the property or carry out the work at the time they were made available for use.
- Once recognised these assets will be treated in the same way as other land and property assets and will be subject to depreciation, revaluation and impairment in accordance with the Council's current accounting policies.
- The unitary charge is split to recognise the service, interest and capital financing elements of the charge. The capital financing element will be deducted from the Comprehensive Income and Expenditure Statement and will reduce the deferred liability in the Balance Sheet.
- Any difference between the additional Minimum Revenue Provision and the capital financing element of the unitary charge will be adjusted through the Movement in Reserves Statement to the Capital Adjustment Account so that there is no impact on the level of Council tax to be raised by the Council.

x) Property, Plant and Equipment (note 12)

Tangible fixed assets are assets that have a physical substance and are held for use in the provision of services, for income generation or for administrative purposes on a continuing basis.

1) Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it will yield a benefit to the Council for more than one financial year. This will include costs and fees incurred on capital projects, which are under construction at the year-end, where it can be shown that either a new asset will be created or an existing asset enhanced. All other expenditure on assets is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

Tangible fixed assets also include assets under finance leases and private finance initiatives, which have been capitalised and included in the Balance Sheet at a value that reflects the Council's obligation to meet future rental payments.

The Council sets a de-minimis level for capital spending / capital accounting purposes and spending below this limit is charged to service revenue accounts within the Comprehensive Income and Expenditure Statement, unless the spending forms part of a larger capital scheme (i.e. invoice less than £10k but is expenditure necessary to bring asset into use, would be capitalised). For 2010/11, the following de-minimis levels have been set for non-schools;

- Land and Property - £10,000
- Infrastructure - £10,000
- Community assets - £10,000
- Plant and Equipment - £10,000
- Vehicles - £ Nil

Schools operate a separate de-minimis of £2k for capitalisation of capital expenditure.

2) Measurement

Assets are initially measured at cost, which includes all expenditure directly attributable to bringing an asset into working condition for its intended use. On completion tangible assets are included within the Balance Sheet using the following measurement bases;

- Operational land and buildings – the lower of net current replacement cost or net realisable value in existing use.
- Infrastructure, community assets and vehicles, plant and equipment – depreciated historic cost.
- Council housing – existing use value for social housing.
- Surplus properties – (not held for sale) the lower of net current replacement cost or net realisable value in existing use.
- Assets under construction – historic cost until such time as the assets are commissioned.

Assets included in the Balance Sheet at net current replacement cost or market value are re-valued as a minimum every five years but where there is evidence that their value may have materially changed in the interim, more regular valuations are carried out.

Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains.

3) Impairment

An impairment review is carried out annually on the value of fixed assets carried within the Balance Sheet where there is evidence that this value may be excessive.

Impairment losses are reversed through the Movement in Reserves Statement or the Statement of Movement on the Housing Revenue Account Balance in the case of impairment losses on housing assets, and appropriated to the Capital Adjustment Account to ensure that there is no impact on Council tax or the balance on the Housing Revenue Account.

4) Gains and Losses on Asset Disposals

The Council has to account for gains and losses arising from the disposal of assets through its Comprehensive Income and Expenditure Statement. When an asset is decommissioned or sold, the carrying value of the asset held within the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Receipts from the sale are credited to the Comprehensive Income and Expenditure Statement and matched against the carrying value of the asset to arrive at the gain or loss from the sale of the asset.

The net gain or loss on all asset sales does not affect either the level of Council Tax that needs to be raised by the Council, or the balance on the Housing Revenue Account, as the cost of using fixed assets is fully provided for under separate arrangements for capital financing. The carrying value of assets that have been sold or decommissioned is therefore appropriated to the Capital Adjustment Account, whilst sale proceeds meeting the definition of capital receipts are credited to the Capital Receipts Reserve. This is achieved by adjusting either the Movement in Reserves Statement or the Statement of Movement on the Housing Revenue Account Balance, depending on the previous ownership of the asset.

When assets that are carried at current value are sold or decommissioned, any balance on the Revaluation Reserve in respect of the assets is written off to the Capital Adjustment Account.

5) Capital Receipts

Capital receipts are generated from the sale of assets that are surplus to requirements with a value of over £10,000, or relate to the sale of Council houses under the Right-to-Buy (RTB) Scheme. Capital receipts are split between General Fund capital receipts and Housing capital receipts. As each require different treatment within the accounts.

- General Fund receipts are recognised in full within the Capital Receipts Reserve when the full sale proceeds are received.
- Housing receipts from RTB sales of Council houses are subject to a pooling arrangement with The Departments of Communities and Local Government (CLG),

whereby 75% of all RTB capital receipts, net of allowable deductions for administering the RTB scheme, is pooled and paid over to the DCLG. The remaining 25% is recognised within the Capital Receipts Reserve.

Receipts from the sale of other housing assets are subject to a 50% deduction to be paid over to the DCLG, except where the capital receipts are to be used to finance new housing or regeneration projects. In these cases the 50% deduction does not apply and the full value of the receipt is recognised in the Capital Receipts Reserve.

Capital receipts are used either to pay for new capital spending or be set aside to repay debt by reducing the Council's capital financing requirement.

6) Depreciation

Depreciation is charged on fixed assets that have a finite useful life, except for investment properties which are likely to appreciate in value over time. Depreciation is calculated on a straight-line basis over the useful life of the assets with charges commencing in the year following acquisition. Depreciation is recognised within service revenue accounts within the Comprehensive Income and Expenditure Statement.

The following useful lives have been used to calculate depreciation:

- Operational buildings up to 50 years
- Infrastructure up to 30 years
- Council houses 60 years
- Vehicles up to 10 years
- Plant and equipment up to 10 years
- Intangible assets amortised over up to 10 years
- Investment properties are not depreciated.

These asset lives apply to capital spending occurring after 1 April 2010 on new schemes.

Depreciation also has to be calculated on revaluation gains and is represented by the difference between depreciation calculated on current value and depreciation calculated on historic cost. The difference between the two values is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

7) General Fund Assets

The Council is not required to raise Council tax to cover depreciation, revaluation/impairment losses or amortisations in relation to its General Fund assets. It is however, required to make an annual minimum revenue provision from revenue to reduce its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, impairment and amortisations are therefore replaced by a minimum revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

For 2010/11, the Minimum Revenue Provision (MRP) charged to the Movement in Reserves Statement is equal to the following at 1 April 2010.

- 4% of the 1 April 2009 Capital Financing Requirement less the 2009/10 MRP, plus
- The 2009/10 capital expenditure that has not been funded by grant, capital receipts or revenue contributions, has to be identified by asset or asset group with the same useful life and MRP calculated on straight line over the useful life.

8) Housing Revenue Account Assets

Depreciation is a real charge to the Housing Revenue Account and forms part of the cost of providing Council housing.

The cost of Council dwelling depreciation is however limited to the level of the Major Repairs Allowance provided as part of housing subsidy regulations. This is achieved by transferring the difference between the Council dwelling depreciation charge for the year and the major repairs allowance from the Major Repairs Reserve to the Movement in Reserves Statement.

For HRA properties that are not Council dwellings, depreciation is a real charge to the HRA but does not have funding implications due to a transfer from the Capital Adjustment Account through the Movement in Reserves Statement.

Impairments and the amortisation of intangible assets owned by the Housing Revenue Account do not form a charge to the Housing Revenue Account Balance and are reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

y) Provisions (note 22)

Provisions are required for any obligations of uncertain timing or amount in circumstances where:

- The Council has a present, legal or constructive obligation as a result of a past event
- It is probable that a transfer of economic benefits will be required to settle the obligation
- A reliable estimate of the amount of the obligation can be made taking into account the risks and uncertainties surrounding the obligation

Where provisions meet the definition of current liabilities, these have classified over the relevant sections of current and non-current liabilities, the former defined as a provision to be used within 12 months of Balance Sheet date.

Provisions are charged to the appropriate revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimated settlements are reviewed at the end of each financial year to determine if the level of provision is adequate and changes to the level of the provision(s) are reflected within the relevant service revenue accounts. When payments in relation to the provision are made they are charged directly to the provision in the year that they are incurred.

z) Reserves (notes 23 and 24)

The Council's reserves policy is to have a minimum level of reserves at the equivalent of one week's payroll, supplies and services, and third party payments. This broadly equates to £5m. This has been set on the basis of the Council being relatively new, with modest financial history. Whilst two years' financial experience mitigates against this risk, the current environment of financial challenges and reducing Government funding are significant. Therefore, this minimum level has been retained.

This is a minimum level and balances do need to be higher to give greater financial resilience. Given the recent changes in funding for local government and the greater variability in net expenditure it is appropriate to assess the optimum level of reserves as a proportion of gross expenditure. It is assumed that 3% of such gross expenditure would give an optimum reserves level of £10m, to be achieved over the period of the Council's medium term financial plan.

The Revaluation Reserve and Capital Adjustment Account are reserves that are kept solely to manage the accounting arrangements for tangible and intangible fixed assets. The Pensions Reserve manages retirement benefits. These reserves are classified as unusable within the Movement in Reserves Statement.

Movements on all reserves are shown in detail in the Movement in Reserves Statement.

aa) 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 tangible fixed assets e.g. home improvement grants, has been charged to the relevant service area within the Comprehensive Income and Expenditure Statement in the year.

bb) Value Added Tax

Income and Expenditure excludes any amounts related to VAT, unless it is deemed to be irrecoverable, as all VAT collected is paid over to HM Revenues and Customs and all VAT paid is recoverable from them.

VAT rates in 2009/10 and 2010/11:

- 1st April 2009 to 31st December 2009- 15%
- 1st January 2010 to 31st December 2010- 17.5%
- 1st January 2011 to 31st March 2011- 20%

Note 2) Accounting Standards Issued but not Adopted

For 2010/11, all accounting standards issued have been adopted, with the exception of FRS30 Heritage Assets (previously Community Assets) due to non publication.

Note 3) Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has no deposit with Banks which are in administration.
- The Council is not the sole trustee of any Trusts or any other similar organisations / entities. Although the Council has a number of its Councillors on the Boards of external organisations, it has been determined that the Council does not have control of any of these organisations.
- The Council has a number of legal cases pending which are considered as appropriate within provisions and, where not yet registered as a case, contingent liabilities.

Note 4) Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Professional valuer used to estimate values within the Balance sheet process	Effects minimal as professional valuer used, however if incorrect, effect is mis-statement of values on the Balance Sheet
Provisions on bad debt and arrears	Due to estimation, given inherent uncertainties in provisions	If incorrect effect is mis-statement of values on the Balance Sheet and potential revenue impact
Pensions Liability	High degree of variable factors e.g. mortality ratios and economic conditions. Professional/independent Actuary used to estimate values within the Balance sheet process for future liabilities (over considerable time period). All assumptions are reported in note 47	Effects minimal as professional/independent actuary used, however if incorrect, effect is mis-statement of values on the Balance Sheet
Others:		
• Accruals	• Actual amount differs from accrual estimate	If incorrect, effect is mis-statement of values on the Balance Sheet / HRA
• Trading a/c's overheads	• Actual amount differs from accrual estimate	
• HRA proportion of pensions	• Actual proportion differs from estimate	

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

Note 5) Material Items of Income and Expense

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items are set out below:

<u>Area</u>	<u>Narrative</u>	<u>2010/11</u> <u>£'000</u>
Disposals of Items of Property, Plant and Equipment:		
* Non-HRA property disposals	5 properties disposed in total	£1,206
* HRA property disposals	9 properties disposed in total	£837
Disposals of Investments:		
* NIRAH investment	Written out in 2010/11	£1,406
* All other investments mature, not disposed off.	-	-
Reversals of Provisions:		
* Legal cases / Injury & Damage / Other Provisions	No reversed provisions (note 22)	-

Note 6) Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Assistant Director of Finance (Section 151 Officer) on 27th September 2011. Events taking place after this

date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events known to the Council which would need to be registered as events after the balance sheet date.

Note 7) Adjustments between Accounting Basis and Funding Basis under Regulations (subject to review)

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

2010/11	<u>General Fund Balance</u> £'000	<u>HRA Balance</u> £'000	<u>Capital Receipt Reserve</u> £'000	<u>Capital Grants Unapplied</u> £'000	<u>Major Repairs Reserve</u> £'000	<u>Schools</u> £'000	<u>Movement unusable Reserve</u> £'000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>							
<u>Reversal of items debits/credits to the Comprehensive Income and Expenditure Statement:</u>							
* Charges for depreciation and impairment of non-current assets		(41,579)	-	-	-	-	
* Revaluation losses on Property Plant and Equipment		429	-	-	-	-	
* Movement in the market value of investment properties		-	-	-	-	-	
* Amortisation of intangible assets		-	-	-	-	-	
* Capital grants and contributions applied		-	-	-	-	-	
* Movement in Donated Assets Account		-	-	-	-	-	
* Revenue expenditure funded from capital under statute		-	-	-	-	-	
* Amounts of non-current assets written off on disposals or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-	-	-	-	-	
<u>Insertion of items not debits/credits to the Comprehensive Income and expenditure:</u>							
* Statutory provision for the financing of capital investment		-	-	-	-	-	
* Capital expenditure charged against the General Fund and HRA balances		835	-	-	-	-	
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure Statement		-	-	(65)	-	-	
* Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	(1,415)	-	-	
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>							
* Transfer of cash sales proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-	(2,083)	-	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	29,836	-	-	-	-
* Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposal		-	0	-	-	-	-
* Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool		-	621	-	-	-	-
* Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	0	-	-	-	-
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u>							
* Transfer of deferred sale proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-	-	-	-	-	
<u>Adjustment primarily involving the Major Repairs Reserve:</u>							
* Reversal of Major Repairs Allowance credit to the HRA	-	684	-	-	0	-	-
* Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	0	-	-
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>							
* Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are difference from finance costs chargeable in the year in accordance with statutory requirements		-	-	-	-	-	

<u>Adjustments primarily involving the Pensions Reserve:</u>					
* Reversal of items relating to retirement benefit debits/credits to the Comprehensive Income and Expenditure Statement	2,596	-	-	-	-
* Employer's pensions contributions and direct payments to pensioners payable in year	1,234	-	-	-	-
<u>Adjustment primarily involving the Collection Fund Adjustment Account:</u>					
* Amount by which Council tax income credit to the Comprehensive Income and Expenditure Statement is different from Council tax income calculation for the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</u>					
* Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustment primarily involving the Accumulated Absences Account:</u>					
* Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is difference from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Other adjustments:</u>	14	0	0	0	(2,304)
Total Adjustments:	(35,786)	28,374	(1,480)	0	(2,304)

2009/10	<u>General Fund Balance</u> <u>£'000</u>	<u>HRA Balance</u> <u>£'000</u>	<u>Capital Receipt Reserve</u> <u>£'000</u>	<u>Capital Grants Unapplied</u> <u>£'000</u>	<u>Major Repairs Reserve</u> <u>£'000</u>	<u>Schools</u> <u>£'000</u>	<u>Movement unusable Reserve</u> <u>£'000</u>
<u>Adjustments primarily involving the Capital Adjustment Account:</u>							
<u>Reversal of items debits/credits to the Comprehensive Income and Expenditure Statement:</u>							
* Charges for depreciation and impairment of non-current assets		(14,849)	-	-	-	-	-
* Revaluation losses on Property Plant and Equipment		467	-	-	-	-	-
* Movement in the market value of investment properties		-	-	-	-	-	-
* Amortisation of intangible assets		-	-	-	-	-	-
* Capital grants and contributions applied		-	-	-	-	-	-
* Movement in Donated Assets Account		-	-	-	-	-	-
* Revenue expenditure funded from capital under statute		-	-	-	-	-	-
* Amounts of non-current assets written off on disposals or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-	-	-	-	-	-
<u>Insertion of items not debits/credits to the Comprehensive Income and expenditure:</u>							
* Statutory provision for the financing of capital investment		-	-	-	-	-	-
* Capital expenditure charged against the General Fund and HRA balances		343	-	-	-	-	-
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure		-	-	0	-	-	-

Statement					
* Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	0	-	-
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>					
* Transfer of cash sales proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,104	(1,351)	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,490	-	-	-
* Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposal	-	0	-	-	-
* Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool	-	828	-	-	-
* Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	0	-	-	-
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u>					
* Transfer of deferred sale proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-
<u>Adjustment primarily involving the Major Repairs Reserve:</u>					
* Reversal of Major Repairs Allowance credit to the HRA	55	-	-	0	-
* Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	0	-
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>					
* Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are difference from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustments primarily involving the Pensions Reserve:</u>					
* Reversal of items relating to retirement benefit debits/credits to the Comprehensive Income and Expenditure Statement	(2,106)	-	-	-	-
* Employer's pensions contributions and direct payments to pensioners payable in year	1,450	-	-	-	-
<u>Adjustment primarily involving the Collection Fund Adjustment Account:</u>					
* Amount by which Council tax income credit to the Comprehensive Income and Expenditure Statement is different from Council tax income calculation for the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</u>					
* Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustment primarily involving the Accumulated Absences Account:</u>					
* Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is difference from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Other adjustments:</u>	(58)	0	0	0	(32)
Total Adjustments:	(14,698)	967	0	0	(32)

Note 8) Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	<u>Balance</u> 01/04/2009 £'000	<u>Transfers</u> <u>out</u> 2009/10 £'000	<u>Transfers</u> <u>in</u> 2009/10 £'000	<u>Balance</u> 31/03/2010 £'000	<u>Transfers</u> <u>out</u> 2010/11 £'000	<u>Transfers</u> <u>in</u> 2010/11 £'000	<u>Balance</u> 31/03/2011 £'000
General Fund:							
Insurance reserve	4,050	(2,780)	1,806	3,076	(16)	0	3,059
Redundancy / harmonisation reserve	0	0	163	163	(1,065)	3,019	2,117
School specific contingency	671	(99)	302	874	0	188	1,062
Learning Difficulties Campus closure	0	0	0	0	0	744	744
Deregistration of care homes	0	0	583	583	0	0	583
External funded regeneration reserve	0	0	492	492	0	0	492
Luton and South Beds Joint Growth Committee	0	0	0	0	0	460	460
Adaptation of open space	449	0	0	449	0	0	449
Social Care Reform Grant	115	(115)	200	200	0	215	415
Housing Planning Delivery Grant	739	(189)	200	750	(350)	0	400
Winter pressure	0	0	0	0	(215)	563	348
Supporting people	0	0	0	0	(92)	397	305
Re-ablement	0	0	0	0	(16)	238	222
Performance Reward Grant reserve	218	0	0	218	(482)	438	174
Local Development Framework	590	(390)	0	200	(100)	0	100
Development Specialist-Middle School	232	0	0	232	(232)	0	0
Grant Aid Fund	141	(125)	203	219	(219)	0	0
Dunstable Master Plan	1,791	0	0	1,791	(1,791)	0	0
Benefit subsidy equalisation	1,438	(1,438)	0	0	0	0	0
Department Environment, Food & Rural Affairs	273	(273)	0	0	0	0	0
Economic participation	0	0	413	413	(413)	0	0
Housing Benefits	325	(325)	0	0	0	0	0
Interest equalisation	1,287	(1,287)	0	0	0	0	0
Lease car reserve	344	(344)	0	0	0	0	0
Mid Bedfordshire PFI	7,567	(7,567)	0	0	0	0	0
Refuse recycling	211	(211)	0	0	0	0	0
Repairs and renewals	325	(325)	0	0	0	0	0
	<u>20,766</u>	<u>(15,468)</u>	<u>4,362</u>	<u>9,660</u>	<u>(4,991)</u>	<u>6,262</u>	<u>10,930</u>
Others below (£200k)	3,039	(3,988)	1,864	915	(348)	593	1,160
	<u>23,805</u>	<u>(19,456)</u>	<u>6,226</u>	<u>10,574</u>	<u>(5,339)</u>	<u>6,855</u>	<u>12,090</u>
HRA:							
Business process re-engineer	0	0	47	47	0	0	46
Choice based lettings	0	0	13	13	(14)	0	0
	<u>0</u>	<u>0</u>	<u>60</u>	<u>60</u>	<u>(14)</u>	<u>0</u>	<u>46</u>
Grand Total	23,805	(19,456)	6,286	10,635	(5,353)	6,855	12,136

Note 9) Other Operating Expenditure

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Payments of precepts to Parishes	8,133	8,504
Levies payable	653	672
Payments to Housing Capital Receipts Government Pool	(828)	621
(Gain)/loss on Disposal of Fixed Assets- non-current tangible	29,614	33,065
(Gain)/loss on Disposal of Fixed Assets- intangibles	0	0
Total	37,572	42,862

Note 10) Financing and Investment Income and Expenditure

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Interest payable on debt	7,028	5,718
Interest element of finance leases (lessee)	2	94
Interest payable on PFI unitary payments	1,318	1,623
Premium on early repayment of debt	0	0
Impairment of financial instruments	0	0
Pension interest costs	29,350	34,708
Expected return on pension assets	(16,235)	(23,446)
Interest and Investment Income	(2,084)	(1,393)
Interest received on finance leases (lessor)	0	0
Discount for early repayment of debt	0	0
Changes in fair value of investment properties	(7,907)	(5,861)
Gain/(loss) on disposals of investment properties	0	47
Dividends received	0	0
Gain/(loss) on trading accounts (n/a to a service)	0	0
Rentals received on investment properties	(2,189)	(1,714)
Expenses incurred on investment properties	1,066	381
Total	10,350	10,157

Note 11) Taxation and Non-Specific Grant Income

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Council tax income	(129,901)	(134,646)
National Non-Domestic Rates (NNDR)	(40,146)	(44,284)
Revenue Support Grant (RSG) and non-ring fenced government grants	(9,266)	(18,087)
Recognised capital grants and contributions	0	0
Non-service related government grants	(11,601)	(24,440)
Total	(190,914)	(221,457)

Note 12) Property, Plant and Equipment
Movements on balances

2010/11	<u>Council Dwellings</u>	<u>Other Land & Buildings</u>	<u>Vehicles, Plant, Furniture & Equipment</u>	<u>Finance Leases- Multi Functional Equipment</u>	<u>Finance Leases- fleet vehicles</u>	<u>Infra-structure</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets under Construction</u>	<u>Total Property, Plant and Equipment (PPE)</u>	<u>PFI assets included in PPE total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:											
At 1st April 2010	339,659	543,543	18,168	0	417	171,068	2,030	1,820	30,246	1,106,952	687
Additions	6,171	8,187	2,276	1,121	0	10,448	0	145	10,582	38,930	0
Donations	0	0	0	0	0	0	0	0	0	0	0
Revaluation increase/(decrease) recognised in Revaluation Reserve	(3,145)	12,922	0	0	0	0	0	1	0	9,778	0
Revaluation increase/(decrease) recognised in surplus/deficit on Provision of services	(41,579)	(922)	0	0	0	0	0	25	0	(42,476)	0
De-recognition- disposals	(452)	(32,900)	(3,143)	0	0	0	0	0	(605)	(37,100)	0
De-recognition- other	0	0	0	0	0	0	0	0	0	0	(687)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	(2,853)	(2,412)	306	0	0	5,479	(69)	7	(9,757)	(9,299)	0
As at 31st March 2011	297,801	528,418	17,607	1,121	417	186,995	1,961	1,998	30,466	1,066,785	0
Accumulated depreciation and impairment:											
At 1st April 2010	(66)	(13,886)	(9,223)	0	(340)	(24,798)	(3)	(19)	0	(48,335)	(687)
Depreciation charge in year	(3,024)	(11,371)	(2,164)	0	(40)	(6,101)	0	(27)	0	(22,727)	0
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) rec in surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0	0
De-recognition- disposals	5	1,208	1,611	0	0	0	0	0	0	2,824	0
De-recognition- other	0	0	0	0	0	0	0	0	0	0	687
Other movements in depreciation and impairment	2,991	2,989	0	0	0	0	0	(3)	0	5,977	0
As at 31st March 2011	(94)	(21,060)	(9,776)	0	(380)	(30,899)	(3)	(49)	0	(62,261)	0
Net book value:											
at 31st March 2010	339,593	529,657	8,945	0	77	146,270	2,027	1,802	30,246	1,058,617	0
at 31st March 2011	297,707	507,358	7,832	1,121	37	156,096	1,958	1,951	30,467	1,004,527	0

2009/10	<u>Council Dwellings</u>	<u>Other Land & Buildings</u>	<u>Vehicles, Plant, Furniture & Equipment</u>	<u>Finance Leases- fleet vehicles</u>	<u>Infra-structure</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets under Construc- tion</u>	<u>Total Property, Plant and Equipment (PPE)</u>	<u>PFI assets included in PPE total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Cost or valuation:</u>										
At 1st April 2009	358,670	553,120	15,012	417	158,430	2,380	2,062	25,642	1,115,733	11,461
Additions	5,482	6,335	1,174	0	12,638	0	0	14,000	39,629	0
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increase/(decrease) recognised in Revaluation Reserve	(1,710)	15,856	0	0	0	0	91	0	14,237	0
Revaluation increase/(decrease) recognised in surplus/deficit on provision of services	(14,903)	(9,064)	0	0	0	0	0	0	(23,967)	0
De-recognition- disposals	(637)	(29,217)	(94)	0	0	0	0	(397)	(30,345)	(10,774)
De-recognition- other	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	(350)	(330)	0	(680)	0
Other movements in cost or valuation	(7,243)	6,513	2,076	0	0	0	(2)	(8,999)	(7,655)	0
As at 31st March 2010	339,659	543,543	18,168	417	171,068	2,030	1,820	30,246	1,106,952	687
<u>Accumulated depreciation and impairment:</u>										
At 1st April 2009	(3,781)	(3,392)	(6,986)	(291)	(19,119)	(3)	0	0	(33,572)	(458)
Depreciation charge in year	(3,595)	(10,988)	(2,237)	(49)	(5,679)	0	(19)	0	(22,565)	(229)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) rec in surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0
De-recognition- disposals	0	0	0	0	0	0	0	0	0	0
De-recognition- other	0	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	7,310	492	0	0	0	0	0	0	7,802	0
As at 31st March 2010	(66)	(13,886)	(9,223)	(340)	(24,798)	(3)	(19)	0	(48,335)	(687)
<u>Net book value:</u>										
at 31st March 2009	354,889	549,728	8,026	127	139,311	2,377	2,062	25,642	1,082,162	11,003
at 31st March 2010	339,593	529,657	8,945	77	146,270	2,027	1,802	30,246	1,058,617	0

Depreciation:

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Operational buildings up to 50 years
- Infrastructure up to 30 years
- Council houses 60 years
- Vehicles up to 10 years
- Plant and equipment up to 10 years

Capital Commitments:

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £17.979m. Similar commitments at 31 March 2010 were £4.75m. The major commitments are:

- NHS Campus Closure – £7.772m
- Development of Flitwick Town Centre- £3.251m
- Relocation of Roecroft Lower School- £3.171m
- Luton and Dunstable Busway- £3m
- Refurbishment of Tithe Farm Lower School – £0.785m

Effects of Changes in Estimates:

In 2010/11, the Council made one material change to its accounting estimates for Property, Plant and Equipment:

- To comply with the Communities and Local Government's Stock Valuation for Resource Accounting (Guidance for Valuers-2010) a regional adjustment factor of 39% has to be applied to the Existing Use for Social Housing (EUV-SH) valuation. The adjustment factor was previously 46% and reflects the fact that local authority housing is at sub-market rents. As a result, the net book value of the Council Dwellings has reduced from £335m on the 31st March 2010 to £294m on the 1st April 2010.

Revaluations:

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. In addition a revaluation loss and material change review was undertaken at the 31st March 2011. All valuations, except Council dwellings, were carried out internally. Council Dwelling valuations are provided by the external Chartered Surveyors Wilkes Head & Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- Good freehold title to the properties owner occupied, held as investments, or surplus to requirements.
- Good adequate leasehold or other short-term tenure for the properties held leasehold for operational purposes.
- Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings.
- Building structures, electrical heating and building service apparatus are in good repair and condition.

- No contaminative or potential contaminative uses have ever been carried out in any of the properties.
- For Depreciated Replacement Cost purposes that planning permission would be received without onerous or unusual conditions for alternative uses on the built area.
- That repairs and maintenance expenditure is at an acceptable level and there is no significant backlog.

	<u>Council Dwellings</u>	<u>Other Land & Buildings</u>	<u>Vehicles, Plant, Furniture & Equipment</u>	<u>Finance Leases- Multi Functional Devices Equipment</u>	<u>Finance Leases- fleet vehicles</u>	<u>Infra-structure</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets under Construction</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Carried at historical costs	0	0	7,832	1,121	37	156,096	1,958	0	0	167,044
Valued at fair value as at:										
* 31 st March 2010	296,970	113,417	0	0	0	0	0	1,951	30,467	442,805
* 31 st March 2011	737	393,941	0	0	0	0	0	0	0	394,678
Total cost or valuation	297,707	507,358	7,832	1,121	37	156,096	1,958	1,951	30,467	1,004,527

Note 13) Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Rentals received on investment properties	(2,189)	(1,714)
Direct operating expenses arising from investment properties	1,066	381
Net (gain)/loss	(1,123)	(1,333)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of the year	48,959	56,856
Additions:		
* Purchases	0	0
* Construction	0	0
* Subsequent expenditure	0	0
Disposals:	0	(159)
Net gain/(losses) from fair value adjustment transfer	7,949	5,861
* (To)/from inventories	0	0
* (To)/from property, plant and equipment	(67)	905
Other charges	15	0
Balance at end of year	56,856	63,463

Note 14) Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 10 years as standard.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1,658k charged to revenue in 2010/11 was charged to the IT administration cost centre and then absorbed as an overhead recharge across all the service headings in the Net Cost of Services.

	<u>2009/10</u>			<u>2010/11</u>		
	<u>Internally generated</u>	<u>Other</u>	<u>Total</u>	<u>Internally generated</u>	<u>Other</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Balance at start of the year</u>						
* Gross carrying amounts	0	7,987	7,987	0	9,730	9,730
* Accumulated amortisation	0	(3,366)	(3,366)	0	(4,808)	(4,808)
Net carrying amount at start of year	0	4,621	4,621	0	4,922	4,922
* Internal development	0	0	0	0	0	0
* Purchases	0	1,743	1,743	0	1,369	1,369
* From Assets under construction	0	0	0	0	1,111	1,111
* Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
<u>Other disposals</u>						
Revaluations increase/(decrease)	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the revaluation reserve	0	0	0	0	0	0
Impairment losses recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0
<u>Reversals of past impairment losses written back to the surplus/(deficit) on the provision of services:</u>						
Amortisation for the period	0	(1,442)	(1,442)	0	(1,658)	(1,658)
other charges	0	0	0	0	0	0
Net carrying amount at the end of year	0	4,922	4,922	0	5,744	5,744
<u>Comprising:</u>						
* Gross carrying amounts	0	9,730	9,730	0	12,210	12,210
* Accumulated amortisation	0	(4,808)	(4,808)	0	(6,466)	(6,466)
	0	4,922	4,922	0	5,744	5,744

There are no items of capitalised software that are individually material to the financial statements:

Note 15) Financial Instruments

Categories of Financial Instruments:

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

	2009/10		2010/11	
	<u>Long term</u> £'000	<u>Current</u> £'000	<u>Long term</u> £'000	<u>Current</u> £'000
Investments:				
Loans and receivables	5,936	55,445	4,602	41,536
Available for sale financial assets	470	9	398	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
Total Investments	6,406	55,454	5,000	41,536
Debtors:				
Loans and receivables	712	35,063	654	64,323
Cash and bank	0	16,595	0	5,057
Financial assets carried at contract amounts	0	0	0	0
Total Debtors	712	51,658	654	69,381
Borrowings:				
Financial liabilities at amortised cost	(154,183)	(5,006)	(153,621)	(646)
Financial liabilities at fair value through profit & loss	0	0	0	0
Total Borrowing	(154,183)	(5,006)	(153,621)	(646)
Other long term liabilities:				
PFI and finance lease liabilities	(19,716)	-	(19,157)	-
Liability related to defined benefit pension scheme	(326,355)	-	(197,282)	-
Investment funds	(11)	-	(34)	-
Total other long term liabilities	(346,082)	-	(216,473)	-
Creditors:				
Financial liabilities at amortised cost	0	-	0	-
Financial liabilities carried at contract amount	-	(66,603)	-	(57,632)
Finance Leases- fleet vehicles	(35)	(43)	(16)	(19)
Finance Leases- multi functional devices printers	0	0	(560)	(371)
Total creditors	(35)	(66,646)	(576)	(58,022)
Grand total	(493,181)	35,460	(365,017)	52,249

Reclassifications:

In 2010/11, the Council did not re-classify any of its investments.

Income, Expense, Gains and Losses:

2010/11	<u>Financial liabilities at amortised cost</u>	<u>Financial Asset loans & received</u>	<u>Financial Assets available for sale</u>	<u>Assets/Liabilities at Fair Value through Profit & Loss</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Interest expense	5,718	0	0	0	5,718
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	0	0	0	0	0
Fee expense	0	0	0	0	0
Total expense in surplus/deficit on the provision of services	5,718	0	0	0	5,718
Interest income	0	1,035	306	0	1,341
Interest income accrued on impaired financial asset	0	0	0	0	0
Increases in fair value	0	0	0	0	0
Gains on de-recognition	0	0	0	0	0
Fee income	0	0	0	0	0
Total income in surplus/deficit on the provision of services	0	1,035	306	0	1,341
Gain on revaluation			56	0	56
Losses on revaluation			(3)	0	(3)
Amounts recycled to the surplus/deficit on the provision of services after impairment			0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and expenditure			53	0	53
Net gain/(loss) for the year	5,718	1,035	359	0	7,112

2009/10	<u>Financial liabilities at amortised cost</u>	<u>Financial Asset loans & received</u>	<u>Financial Assets available for sale</u>	<u>Assets/Liabilities at Fair Value through Profit & Loss</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Interest expense	7,000	0	0	0	7,000
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	0	0	(9)	0	(9)
Fee expense	0	0	0	0	0
Total expense in surplus/deficit on the provision of services	7,000	0	(9)	0	6,991
Interest income	0	1,755	246	0	2,001
Interest income accrued on impaired financial asset	0	0	0	0	0
Increases in fair value	0	0	0	0	0
Gains on de-recognition	0	0	133	0	133
Fee income	0	0	0	0	0
Total income in surplus/deficit on the provision of services	0	1,755	379	0	2,134
Gain on revaluation			0	0	0
Losses on revaluation			(50)	0	(50)
Amounts recycled to the surplus/deficit on the provision of services after impairment			0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and expenditure			(50)	0	(50)
Net gain/(loss) for the year	7,000	1,755	320	0	9,075

Fair Values of Assets and Liabilities:

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be 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:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	<u>2009/10</u> <u>Carrying amount</u> <u>£'000</u>	<u>2009/10</u> <u>Fair Value</u> <u>£'000</u>	<u>2010/11</u> <u>Carrying amount</u> <u>£'000</u>	<u>2010/11</u> <u>Fair Value</u> <u>£'000</u>
Financial Liabilities	(160,463)	(163,423)	(155,540)	(161,563)
Long term creditors	(35)	(35)	(576)	(576)

	<u>2009/10</u> <u>Carrying amount</u> <u>£'000</u>	<u>2009/10</u> <u>Fair Value</u> <u>£'000</u>	<u>2010/11</u> <u>Carrying amount</u> <u>£'000</u>	<u>2010/11</u> <u>Fair Value</u> <u>£'000</u>
Loans and receivables	60,721	60,722	46,138	46,138
Long term debtors	712	712	654	654

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on market price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 16) Inventories

	<u>Consumable stores</u>		<u>Other</u>		<u>Total</u>	
	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Balance outstanding at start of year	42	46	0	0	42	46
Purchases	46	48	0	0	46	48
Recognised as an expense in year	(42)	(46)	0	0	(42)	(46)
Written off balances	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0
Balance outstanding at year-end	46	48	0	0	46	48

Note 17) Construction Contracts

At 31 March 2011 the Council had no construction contracts in progress. The Council is currently not undertaking any construction work as a contractor for its customers.

The Code on accounting requirements for construction contracts does not apply to assets under construction belonging to local authorities.

Note 18) Debtors

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	19,974	21,051
Other Local Authorities	10,470	11,894
NHS bodies	9,210	3,788
Public corporations and trading funds	4,831	2,871
Other entities and individuals *	12,362	26,988
Bad debt provisions	(412)	(2,270)
Total	56,435	64,323

Debtors are presented net of impairment.

*: Includes balances such as rent arrears, Council tax and trade debtors.

Note 19) Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Cash held by the Council	0	0
Bank current accounts	16,595	5,057
Cash equivalents- liquid short term investment (within 1 month)	0	0
Short term deposits with building societies	0	0
Total Cash and Cash Equivalents	16,595	5,057

Note 20) Assets Held for Sale

	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
	<u>2009/10</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	0	0	660	0
Assets newly classified as held for sale:				
* Property, Plant & Equipment	660	0	525	0
* Intangible assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
* Property, Plant & Equipment	0	0	0	0
* Intangible assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	(330)	0
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
Balance outstanding at year-end	660	0	855	0

Assets held for sale after balance sheet date (31/03/2011) but before certification date (30/09/2011) **will be disclosed in the final certified version of the accounts.**

Note 21) Creditors

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	(6,980)	(5,436)
Other Local Authorities	(12,170)	(13,303)
NHS bodies	(517)	(903)
Public corporations and trading funds	(21,511)	(20,928)
Other entities and individuals	(27,814)	(17,062)
Finance leases- fleet vehicles	(43)	(19)
Finance leases- multi functional devices printers	0	(371)
Total	(69,035)	(58,022)

Note 22) Provisions

	<u>Outstanding</u>	<u>Injury &</u>	<u>Other</u>	<u>Total</u>
	<u>legal cases</u>	<u>damage</u>	<u>provisions</u>	
	<u>£'000</u>	<u>Compensation</u>	<u>£'000</u>	<u>£'000</u>
		<u>claims</u>		
		<u>£'000</u>		
Balance outstanding at start of year	(357)	(5,205)	(3,306)	(8,868)
Adjustment to reclassify balances	(40)	40	0	0
Balance outstanding at start of year	(397)	(5,165)	(3,306)	(8,868)
Additional provisions made in year	(128)	(650)	(51)	(829)
Amounts used in year	0	2,483	3,306	5,789
Unused amounts reversed in year	0	0	0	0
Unwinding of discounting in year	0	0	0	0
Balance outstanding at year-end	(525)	(3,332)	(51)	(3,908)

All provisions with a balance as at 31/03/2011 are considered short term provisions.

Outstanding Legal Cases:

The Council has a number of substantial legal cases in progress that have been provided for, including the following material ones:

- 2 ongoing legal cases (details withheld for confidentiality purposes)
- Contractual claims with regard to the Grove Theatre
- Disputed charges with regard to Leisure Centres

Injury and Compensation Claims:

The Council has a number of substantial injury and compensation claims in progress that have been provided for, including the following material ones:

- Various personal injury claims have been lodged against the Authority for injury or damage compensation. They relate to personal injuries sustained where the Authority is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Authority will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. The Authority may be reimbursed by its insurers, but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £100k excess.
- Various cases have been lodged against the Authority for negligence in its responsibilities for providing social care. A provision has been made for possible settlement within the figures set above. However, in order not to prejudice seriously the privacy of individuals and the Authority's position in each case, any further information has been withheld from this publication.

Other Provisions:

All other provisions are individually insignificant.

Note 23) Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and below.

	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000
General Fund Reserve	(5,163)	(6,990)
General Fund Earmarked Reserves	(10,574)	(12,090)
Housing Revenue Account Balance	(4,223)	(3,742)
HRA Earmarked Reserves	(60)	(46)
Usable Capital Receipts Reserve	(30,942)	(2,568)
Community Infrastructure levy	0	0
Capital Grants Unapplied	0	(1,480)
Major repairs reserve	(200)	(200)
Capital Grants Received in Advance	0	0
Repairs and Renewals Fund	0	0
Insurance fund	0	0
Schools Reserve	(9,028)	(11,332)
	(60,191)	(38,448)

Note 24) Unusable Reserves

Movements in the Council's unusable reserves are detailed in the Movement in Reserves Statement and below.

	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000
Revaluation Reserve (a)	(43,163)	(50,019)
Available for Sale Financial Instruments Reserve (b)	415	398
Capital Adjustment Account (c)	(870,759)	(827,495)
Financial Instruments Adjustment account (d)	2,505	2,065
Pension Reserve (e)	326,356	197,282
Deferred Capital Receipts (f)	(72)	(72)
Collection Fund Adjustment Account (g)	0	0
Single Status Reserve / unequal pay (h)	2,625	0
Accumulating Compensated Absences Account (i)	8,013	5,687
	(574,080)	(672,154)

a) Revaluation Reserve:

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	(31,968)	(43,163)
Upward revaluation of assets	(21,761)	(14,181)
Downward revaluation of assets & impairment losses not charged to the Surplus/deficit on the provision of services	7,589	4,402
Surplus/deficit on revaluation of non-current assets not posted to the Surplus/deficit on the provision of services	(14,172)	(9,779)
Difference between fair value depreciation and historical cost depreciation	571	1,222
Accumulated gains on assets sold or scrapped	2,406	1,701
Amount written off to the Capital Adjustment Account	2,978	2,923
Balance at year-end	(43,163)	(50,019)

b) Available for Sale Financial Instruments Reserve:

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	634	415
Upward revaluation of investments	9	65
Downward revaluation of investments not charged to the Surplus/deficit on the provision of services	(228)	(82)
	415	398
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and expenditure as part of other investment income	0	0
Balance at year-end	415	398

c) Capital Adjustment Account:

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at 1st April	(916,359)	(870,759)
Reversal of items relating to capital expenditure debits/credits to Comprehensive Income and Expenditure Statement:		
* Charges for depreciation and impairment of non-current assets	22,518	19,703
* Revaluation losses on Plant, Property & Equipment	24,080	42,476
* Amortisation of intangible assets	1,442	1,658
* Revenue expenditure funded from capital under statute	10,619	12,103
* Amounts of non-current assets written off on disposal/sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	30,345	34,765
	<hr/>	<hr/>
	89,005	110,705
Adjusting amounts written out of the Revaluation Reserve	(3,084)	(2,923)
Net written out amount of the cost of non-current assets consumed in the year	<hr/>	<hr/>
	85,921	107,782
Capital financing applied in the year:		
* Use of Capital Receipts Reserve to finance new capital expenditure	(1,490)	(29,836)
* Use of the Major Repairs Reserve to finance new capital expenditure	(3,650)	(3,709)
* Capital grants and contribution's credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,728)	(21,004)
* Application of grants to capital financing of capital investment charged against the General Fund and HRA balances	0	690
* Statutory provision for the financial of capital investment charged against the General Fund and HRA balances	(5,216)	(6,320)
* Capital expenditure charged against the General Fund and HRA balances	(343)	1,522
	<hr/>	<hr/>
	(32,426)	(58,657)
Movement in the market value of Investment Properties debits/credits to the Comprehensive Income and Expenditure Statement	(7,895)	(5,861)
Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31st March	(870,759)	(827,495)

d) Financial Instruments Adjustment Account:

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	442	2,505
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	2,063	(440)
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0	0
	<hr/>	<hr/>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,063	(440)
Balance at year-end	2,505	2,065

e) Pensions Reserve:

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any

resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000
Balance at start of year	158,326	326,356
Actuarial gains or losses on pensions assets and liabilities	164,800	(73,200)
Reversal items relating to retirement ben debited/credited to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement	24,130	(37,769)
Employers pensions contributions and direct payments to pensions payable in year	(20,900)	(18,105)
Balance at year-end	326,356	197,282

f) Deferred Capital Receipts Reserve:

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000
Balance at start of year	(72)	(72)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the capital receipts reserve upon receipt of cash	0	0
Balance at year-end	(72)	(72)

g) Collection Fund Adjustment Account:

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000
Balance at start of year	(128)	0
Amounts by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	128	0
Balance at year-end	0	0

h) Unequal Pay Back Pay Account:

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. It has previously been known as the Single Status Reserve.

This reserve has now been closed, as the reserve is no longer required.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	2,624	2,625
Increase in provision for back pay in relation to equal pay cases	1	(2,625)
Cash settlements paid in the year	0	0
Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	1	0
Balance at year-end	2,625	0

i) Accumulated Absences Account:

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	6,086	8,013
Settlement or cancellation of accrual made at the end of the preceding year	(6,086)	(8,013)
Amounts accrued at the end of the current year	8,013	5,687
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	1,927	2,326
Balance at year-end	8,013	5,687

Note 25) Cash Flow Statement- Operating Activities

The cash flows for operating activities include the following items:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Net surplus/(deficit) on the provision of services	(67,073)	(5,470)
- Depreciation and impairment	29,934	24,385
- Revaluation decreases to I&E	0	0
- Deferred grants amortised in year	(3,453)	0
- Pension fund adjustment	2,165	55,873
- Other movements in the General Fund	41,592	(16,591)
- Repayment of loans	4,473	5,570
- Revenue contributions to capital	359	667
- Contributions to provisions	1,816	(4,960)
- Contributions to capital reserves	(8,657)	(16,399)
- Contributions to revenue reserves	(13,327)	7,159
	54,902	55,704
- Interest and investment income	4,199	4,765
- Interest on finance leases	0	0
- Revenue Funding Capital under Statute	(224)	(12,103)
- Gain/loss on disposal of assets	0	(32,421)
- (Increase)/decrease in stock	(4)	(2)
- (Increase)/decrease in debtors	12,669	(7,952)
- (Increase)/decrease in creditors	(19,268)	(8,702)
	(2,628)	(56,415)
Net cash flows from operating activities	(14,798)	(6,181)

Note 26) Cash Flow Statement- Investing Activities

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Purchase of property, plant and equipment, investment properties and intangible assets	(43,061)	(42,769)
Purchase of short term and long term investments	1,698	1,497
Other payments for investing activities	(8,201)	(5,456)
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	18,604	1,206
Capital grants	2,106	32,374
Proceeds from short term and long term investments	2,599	13,909
Other receipts from investing activities	12,939	0
Net cash flows from investing activities	(13,316)	761

Note 27) Cash Flow Statement- Financing Activities

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Cash receipts of short term and long term borrowing	0	0
Other receipts from financing activities	0	6
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	0	(559)
Repayments of short term and long term borrowing	4,993	(5,565)
Other payments for financing activities	0	0
Net cash flows from financing activities	4,993	(6,118)

Note 28) Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- Expenditure on support services is budgeted for centrally and is charged to Directorates after the Council's year end outturn report is published.

The income and expenditure of all the Council's Directorates recorded in the budget reports for the year is as follows:

	Childrens' Services (includes schools)	Customer & shared services Office of the Chief Executive	Social Care, Health & Housing	Sustainable Communities	Total
	£'000	£'000	£'000	£'000	£'000
2010/11					
Directorate Net Budget	32,310	26,916	50,976	47,310	157,512
Corporate costs (including Contingency & Reserves)	-	-	-	-	19,516
Total Net Budget	-	-	-	-	177,028
Directorate Income and expenditure:					
* Fees, charges & other service income	(221,409)	(9,042)	(66,631)	(16,699)	(313,781)
Total income	(221,409)	(9,042)	(66,631)	(16,699)	(313,781)
* Employee expenses	167,920	12,398	18,726	21,364	220,408
* Other service expenses	86,457	26,046	98,474	40,817	251,794
Total expenditure	254,377	38,444	117,200	62,181	472,202
Net Directorate expenditure reported to management	32,968	29,402	50,569	45,482	158,421
Corporate costs (including Contingency & Reserves)	-	-	-	-	18,280
Net expenditure reported to management	-	-	-	-	176,701
Variance reported to management	-	-	-	-	Surplus 327
2009/10					
Net Budget	32,388	26,382	46,680	45,905	151,355
Corporate costs (including Contingency & Reserves)	-	-	-	-	19,286
Total Net Budget	-	-	-	-	170,641
Directorate Income and expenditure:					
* Fees, charges & other service income	(195,613)	(10,598)	(62,871)	(18,699)	(287,781)
Total income	(195,613)	(10,598)	(62,871)	(18,699)	(287,781)
* Employee expenses	164,556	27,186	17,553	22,814	232,109
* Other service expenses	64,719	10,668	95,992	41,989	213,368
Total expenditure	229,275	37,854	113,545	64,803	445,477
Net Directorate expenditure reported to management	33,662	27,256	50,674	46,104	157,696
Corporate costs (including Contingency & Reserves)	-	-	-	-	21,244
Net expenditure reported to management	-	-	-	-	178,940
Variance reported to management	-	-	-	-	Deficit 8,299

Reconciliation of Directorate income and expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Directorate analysis excluding recharges	149,164	148,515
Allocation of recharges (Directorate detail below)	29,776	28,186
Net expenditure in the Directorate analysis	178,940	176,701
Net expenditure of services and support services not included in the analysis	(16,851)	(69,654)
Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis (Directorate detail below)	47,976	66,861
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	210,065	173,908

Directorate analysis of items not included in report to management from above table:

	<u>Childrens' Services (includes schools)</u>	<u>Customer & shared services Office of the Chief Executive</u>	<u>Social Care, Health & Housing</u>	<u>Sustainable Communities</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>2010/11</u>					
<u>Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis:</u>					
* Depreciation, amortisation & impairment	6,936	4,911	46,400	8,614	66,861
<u>Allocation of recharges:</u>					
* Support Service recharges	(4,157)	(1,397)	(1,343)	(1,544)	(8,442)
* Support Service recharges	15,113	5,670	7,036	8,809	36,628
	<u>10,956</u>	<u>4,273</u>	<u>5,693</u>	<u>7,265</u>	<u>28,186</u>
<u>2009/10</u>					
<u>Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis:</u>					
* Depreciation, amortisation & impairment	17,255	3,060	19,100	8,560	47,976
<u>Allocation of recharges:</u>					
* Support Service recharges	(3,404)	(487)	(2,458)	(1,453)	(7,801)
* Support Service recharges	15,188	2,423	12,848	7,118	37,577
	<u>11,784</u>	<u>1,936</u>	<u>10,390</u>	<u>5,665</u>	<u>29,776</u>

Reconciliation to subjective analysis:

Please see page 62.

2010/11 *: As per the Comprehensive Income & Expenditure Statement **: As per Outturn Report to management	Directorate analysis excluding recharges (A)	Allocation of recharges (B)	Directorate analysis (C)=(A)+(B)	Services and support services not in analysis (D)	Amounts not reported to management (E)	Amounts not included in Income & Exp (F)	Cost of services (G)=(C)+(D)+(E)+(F)	Corporate amounts (H)	Total (I)=(G)+(H)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fee, charges & other service income	(19,904)	(8,442)	(28,346)	(112,258)	-	-	(140,604)	-	(140,604)
Surplus / deficit on associates & joint ventures	-	-	-	-	-	-	0	-	0
Interest & Investment Income (note 10)	-	-	-	-	-	-	0	(1,393)	(1,393)
Income from council tax (note 38)	-	-	-	-	-	-	0	(134,646)	(134,646)
Government grants and contributions (note 38)	(285,435)	-	(285,435)	-	-	-	(285,435)	(86,811)	(372,246)
Expected return on pension assets (note 10)	-	-	-	-	-	-	0	(23,446)	(23,446)
Investment properties value, expenses and rents	-	-	-	-	-	-	0	(7,147)	(7,147)
Total Income	(305,339)	(8,442)	(313,781)	(112,258)	-	-	(426,039) *	(253,443)	(679,482)
Employee expenses	220,408	-	220,408	-	-	-	220,408	-	220,408
Other service expenses	233,446	-	233,446	42,604	-	-	276,050	-	276,050
Support service recharges	-	36,628	36,628	-	-	-	36,628	-	36,628
Depreciation, amortisation and impairment	-	-	-	-	66,861	-	66,861	-	66,861
Interest payments (note 10)	-	-	-	-	-	-	0	7,435	7,435
Pension interest costs (note 10)	-	-	-	-	-	-	0	34,708	34,708
Precepts and Levies (note 9)	-	-	-	-	-	-	0	9,176	9,176
Payment to Housing Capital Receipts Pool (note 9)	-	-	-	-	-	-	0	621	621
Gain or loss on disposal of fixed assets (note 9)	-	-	-	-	-	-	0	33,065	33,065
Total Expenditure	453,854	36,628	490,482	42,604	66,861	-	599,947 *	85,005	684,952
(Surplus) / deficit on the provision of services	148,515	28,186	176,701 **	(69,654)	66,861	-	173,908 *	(168,438) *	5,470 *
2009/10									
Fee, charges & other service income	(457)	(7,801)	(8,258)	(129,470)	-	-	(137,728)	-	(137,728)
Surplus / deficit on associates & joint ventures	-	-	-	-	-	-	0	-	0
Interest & Investment Income (note 10)	-	-	-	-	-	-	0	(2,084)	(2,084)
Income from council tax (note 38)	-	-	-	-	-	-	0	(129,901)	(129,901)
Government grants and contributions (note 38)	(279,523)	-	(279,523)	-	-	-	(279,523)	(61,013)	(340,536)
Expected return on pension assets (note 10)	-	-	-	-	-	-	0	(16,235)	(16,235)
Investment properties value, expenses and rents	-	-	-	-	-	-	0	(9,030)	(9,030)
Total Income	(279,980)	(7,801)	(287,781)	(129,470)	-	-	(417,251)	(218,263)	(635,514)
Employee expenses	232,109	-	232,109	-	-	-	232,109	-	232,109
Other service expenses	197,035	-	197,035	112,619	-	-	309,654	-	309,654
Support service recharges	-	37,577	37,577	-	-	-	37,577	-	37,577
Depreciation, amortisation and impairment	-	-	-	-	47,976	-	47,976	-	47,976
Interest payments (note 10)	-	-	-	-	-	-	0	8,348	8,348
Pension interest costs (note 10)	-	-	-	-	-	-	0	29,350	29,350
Precepts and Levies (note 9)	-	-	-	-	-	-	0	8,786	8,786
Payment to Housing Capital Receipts Pool (note 9)	-	-	-	-	-	-	0	(828)	(828)
Gain or loss on disposal of fixed assets (note 9)	-	-	-	-	-	-	0	29,614	29,614
Total Expenditure	429,144	37,577	466,721	112,619	47,976	-	627,316	75,270	702,586
(Surplus) / deficit on the provision of services	149,164	29,776	178,940	(16,851)	47,976	-	210,065	(142,993)	67,072

Note 29) Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2010/11.

Note 30) Trading Operations

The Council has established 16 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are as follows:

		<u>2009/10</u>		<u>2010/11</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Car Parks:</u>					
Parking management aims to support the local economy and facilitate development growth within Central Bedfordshire area.	Turnover	(947)		(1,270)	
Cumulative spend over 2 years: £2,210k	Expenditure (Surplus)/deficit	1,052	105	1,158	(112)
<u>Albion Archaeology:</u>					
Provides a range of archaeological and other historic environment services to developers to facilitate sustainable growth and economic development within Central Bedfordshire area.	Turnover	(1,268)		(1,508)	
Cumulative spend over 2 years: £2,762k	Expenditure (Surplus)/deficit	1,258	(10)	1,504	(3)
<u>Leighton Buzzard Theatre:</u>					
A theatre and cinema venue based in Leighton Buzzard.	Turnover	(204)		(168)	
Cumulative spend over 2 years: £677k	Expenditure (Surplus)/deficit	347	143	330	163
<u>Building Control:</u>					
The processing of building regulation applications, site inspections and related fee earning activities.	Turnover	(665)		(748)	
Cumulative spend over 2 years: £1,186k	Expenditure (Surplus)/deficit	542	(123)	644	(103)
<u>Industrial Units, Estates and Business Units:</u>					
Rental and other income, and expenditure relating to various industrial estates and business units.	Turnover	(622)		(507)	
Cumulative spend over 2 years: £443k	Expenditure (Surplus)/deficit	222	(400)	221	(287)
<u>Shops and Offices:</u>					
Rental and other income, and expenditure relating to various shops and offices.	Turnover	(605)		(635)	
Cumulative spend over 2 years: £179k	Expenditure (Surplus)/deficit	117	(488)	62	(574)
<u>Community Buildings:</u>					
Rental and other income, and expenditure relating to Beecroft Centre in Dunstable.	Turnover	(7)		(4)	
Cumulative spend over 2 years: £0k	Expenditure (Surplus)/deficit	0	(7)	0	(4)
<u>Community Leases/Licenses:</u>					
Rental and other income, and expenditure relating to various land and property.	Turnover	(11)		(16)	
Cumulative spend over 2 years: £74k	Expenditure (Surplus)/deficit	4	(7)	70	54
<u>Depots & Storage Facilities:</u>					
Rental and other income, and expenditure relating to various depots and storage facilities.	Turnover	(65)		(66)	
Cumulative spend over 2 years: £81k	Expenditure (Surplus)/deficit	42	(23)	39	(26)

Farm Estates:				
Rental and other income, and expenditure relating to farm estates.	Turnover	(627)	(571)	
Cumulative spend over 2 years: £184k	Expenditure (Surplus)/deficit	90	94	(477)
Criminal Records Bureau:				
An administration service to Central Bedfordshire Council, Schools and other external organisations.	Turnover	(178)	(164)	
Cumulative spend over 2 years: £303k	Expenditure (Surplus)/deficit	155	148	(16)
HEART supply Agency:				
A supply agency of teachers and support staff to Schools.	Turnover	(205)	(159)	
Cumulative spend over 2 years: £365k	Expenditure (Surplus)/deficit	191	174	14
Schools HR:				
A provision of HR services for schools.	Turnover	(296)	(306)	
Cumulative spend over 2 years: £913k	Expenditure (Surplus)/deficit	300	613	307
Schools Traded Services:				
A service for schools providing expertise on a number of school issues i.e. financial advice, financial software support, LTA administration and subscription administration.	Turnover	(709)	(814)	
Cumulative spend over 2 years: £1,382k	Expenditure (Surplus)/deficit	631	751	(63)
Silsoe Horticultural Centre:				
A horticultural centre which includes various activities for customers to participate in, a tearoom, the sale of plant and vegetables, and also hosts events.	Turnover	(33)	(36)	
Cumulative spend over 2 years: £482k	Expenditure (Surplus)/deficit	223	259	223
Ludun Sheltered Placement:				
A supported workshop involved with wood machinery, wood treatment and picture framing.	Turnover	(69)	(220)	
Cumulative spend over 2 years: £1,190k	Expenditure (Surplus)/deficit	516	674	454
Net surplus on trading operations			447	(454)
			(821)	(451)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. All are an integral part of one of the Council's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Cost of Services. There is no residual amount of the net surplus on trading operations charged as Financing and Investment Income and Expenditure (see Note 10):

	2009/10	2010/11
	£'000	£'000
Net surplus on trading operations	(821)	(451)
Support services recharged to Expenditure of Continuing Operations	0	0
Services to the public included in the Expenditure of Continuing Operations	0	0
Net surplus credited to Other Operating Expenditure	(821)	(451)

Note 31) Agency Services

The Council does not provide any goods or services to a third party, on behalf of another body.

Note 32) Road Charging Schemes

The Council does not participate or operate in any road charging schemes.

Note 33) Pooled Budgets

The Council has entered into a pooled budget arrangement with Bedford Borough Council (BBC) and NHS Bedfordshire (NHSB) for the provision of community Equipment services to meet the needs of people living in geographical area. The Council and partnership organisations have an agreement in place for funding these services that ran for 2 financial years from 2009/10 to 2010/11, with the partners contributing funds to the agreed budget equal to 20.4% (CBC), 13.6% (BBC) and 66% (NHSB) of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement (the Pooled Budget was hosted by Luton Borough Council in 2009/10).

<u>Bedfordshire Community Equipment Service:</u>	<u>2009/10</u>		<u>2010/11</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Funding provided to the pooled budget:				
Central Bedfordshire Council	(396)		(370)	
Bedford Borough Council	(264)		(247)	
NHS Bedfordshire	(1,282)		(1,199)	
		(1,942)		(1,816)
Expenditure met from the pooled budget:				
Luton Borough Council	1,942		0	
Central Bedfordshire Council	0		1,816	
Bedford Borough Council	0		0	
NHS Bedfordshire	0		0	
		1,942		1,816
Net (surplus)/deficit arising on the pooled budget during the year		0		0
CBC share of 20.4% of the net surplus arising on the pooled budget		0		0

Note 34) Members' Allowances

The Council paid the following amounts to members of the Council during the year:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Salaries	1,100	1,088
Allowances	15	3
NI	81	86
Pension	62	70
Expenses	151	121
Total	1,409	1,368

Note 35) Officers' Remuneration

Senior Officers are defined by the Council as any officer at Director level or above, plus the Section 151 and Monitoring Officers.

During 2010/11, this classification included the;

- Chief Executive

- Four Directors
- Two Section 151 Officers (the original post holder resigned in February 2011 and his replacement acted as Section 151 Officer under an interim management contract for the remainder of the financial year)
- Monitoring Officer.

The remuneration paid to the Council's permanent senior employees is as follows:

	<u>Salary, Fees & Allowances</u>	<u>Expenses allowances</u>	<u>Pensions contributions</u>	<u>Total</u>
	£	£	£	£
Gary Alderson- Director of Sustainable Communities				
2009/10	123,000	2,369	26,937	152,306
2010/11	129,385	942	28,032	158,358
John Atkinson- Monitoring Officer (from July 2010)				
2009/10 (not John Atkinson)	57,803	2,399	14,727	74,929
2010/11	72,032	786	15,496	88,314
Matt Bowmer- S151 Officer (left in February 2011)				
2009/10	84,852	3,050	18,582	106,484
2010/11	81,741	2,283	17,608	101,633
Richard Carr- Chief Executive (started October 2009)				
2009/10	80,067	1,213	17,534	98,814
2010/11	186,750	1,505	40,515	228,770
Richard Ellis- Director of Customer & Shared Services				
2009/10	123,416	3,033	27,028	153,477
2010/11	131,739	649	28,579	160,967
Edwina Grant- Director of Children's Services (also acts as Deputy Chief Executive)				
2009/10	156,747	4,851	34,327	195,925
2010/11	157,987	1,833	34,328	194,148
Julie Ogley- Director of Social Care, Health & Housing				
2009/10	143,430	1,170	31,411	176,011
2010/11	144,669	0	31,411	176,080
Jaki Salisbury- Interim Chief Executive (left October 2009)				
2009/10	348,903	162	19,723	368,788
2010/11	0	0	0	0

Jaki Salisbury's figures include a redundancy payment.

There were no other payments in either year to Senior Officers in relation to bonuses or compensation for loss of office.

The Council's other employees (excluding those individuals listed above within senior employees) receiving more than £50k remuneration for the year (excluding employer's pension contributions) were paid in the following bands:

	<u>2009/10</u>	<u>2010/11</u>
	<u>Number of employees</u>	<u>Number of employees</u>
£50,000-£54,999	89	96
£55,000-£59,999	57	55
£60,000-£64,999	38	42
£65,000-£69,999	12	26
£70,000-£74,999	11	16
£75,000-£79,999	7	7
£80,000-£84,999	5	4
£85,000-£89,999	9	7
£90,000-£94,999	3	7
£95,000-£99,999	2	1
£100,000-£104,999	0	0
£105,000-£109,999	0	0
£110,000-£114,999	1	0
£115,000-£119,999	0	1
£120,000-£124,999	1	0
£125,000-£129,999	2	1
£130,000-£134,999	0	0
£135,000-£139,999	0	0
£140,000-£144,999	1	0
£145,000-£149,999	0	0
Total	238	263

This remuneration includes, in a number of cases, redundancy costs for employees who have now left the Council's employment.

Note 36) External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Fees payable to Audit Commission with regard to external audit services carried out by appointed auditor for the year (2010/11 audit fee is net of rebates, the actual audit fee was £342k with (£30k) rebates)	328	313
Fees payable to Audit Commission in respect of statutory inspections	18	0
Fees payable to Audit Commission for certification of grant claims and returns for the year	90	90
Fees payable in respect of other services provided by Audit Commission during the year	0	0
Total	436	403

Note 37) Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements were £11.332m at 31 March 2011, which is carried forward into 2011/12.

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), provided by the Department of Children, Schools and Families. DSG is ring-fenced and can only be applied to meet expenditure properly included within 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 provides a budget share for each school. Over and under-spends on the two elements have to be accounted for separately.

Details of how DSG received in 2010/11 was used are as follows:

<u>Schools budgets funded from DSG:</u>	<u>Central Expenditure</u>	<u>Individual Schools Budgets</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Final DSG for 2010/11	-	-	146,441
Brought forward from 2009/10	-	-	1,091
Carry forward to 2011/12 agreed in advance	-	-	0
Agreed budgeted distribution in 2010/11	14,294	132,147	147,532
Actual central expenditure	14,149	-	-
Actual ISB deployed to Schools	-	132,317	-
Council contribution for 2010/11	0	0	0
Carry forward to 2011/12	144,464	(170)	1,066
Reserves:			
Brought forward from 2009/10			1,091
Spend in 2010/11			214
Balance			877
Increase from DSG under-spend			189
Balance at year end			1,066
Net increase/(decrease) on reserves			(25)

Note 38) Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Credited to taxation and non specific grant income:		
* Council tax	(129,901)	(134,646)
* NNDR	(40,146)	(44,284)
* RSG and non-ring fenced govt grants	(9,266)	(13,087)
* Recognised capital grants and contributions	(11,601)	(24,440)
* Non-service related govt grants	0	0
Total	(190,914)	(221,457)
Credited to services:		
* Dedicated Schools Grant	(142,363)	(146,441)
* Housing Benefit Subsidy	(64,252)	(74,422)
* Standards Fund	(21,460)	(13,108)
* ISB Related YPLA	(16,081)	(16,425)
* Sure Start Early Years and Childcare	(5,098)	(6,867)
* School Standards Grant	(7,034)	(7,138)
* Adult & Community Learning	(1,750)	(1,834)
* Learning Disability Campus Closure	(515)	(1,563)
* School Standards Grant (Personalisation)	(1,443)	(1,254)
* Other Grants	(19,527)	(16,383)
Total	(279,523)	(285,435)

The Council has received a number of grants and contributions (but no donations) that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Capital Grants receipts in advance:		
* Devolved Formula Capital (Department for Education)	(4,089)	(3,326)
* Standards Fund (Department for Education)	(3,642)	(5,042)
* NHS Campus Closure (Department of Health)	(2,881)	(7,428)
* Other grants	(4,487)	(5,313)
* Section 106	(13,228)	(17,785)
* Section 278	(2,395)	(2,371)
* Other contributions	(13)	(8)
Donated	0	0
Total	(30,735)	(41,273)
Donated assets account:	0	0
Total	0	0

Note 39) Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government:

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 38.

Members:

Members of the Council (66 in total as at 31/03/2011) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11, are shown in Note 34. A number of the Council's Councillors are school governors and are appointed Town and Parish Council members. A full list of Councillor relationships with companies/organisations that have had financial transactions in 2010/11 with the Council, is provided on the next page:

<u>Cllr</u>	<u>Organisation</u>	<u>Relationship</u>	<u>2010/11 Income to the Council</u>	<u>2010/11 Expenditure by the Council</u>
P.Blaine	Aragon Housing Assoc.	Member	(£0)	£1,894k
P.Blaine	Sandy Skate Park	Chair	(£0)	£12k
D.Bowater	South Essex Partnership Trust	Governor	(£0)	£2,560k
F.Chapman	Marston Vale Trust	Chairman	(£0)	£71k
N.Costin	BRCC Services Ltd	Board Member	(£0)	£19k
A.Fahn	Vendesent	Owner	(£0)	Less than £500
J. Freeman	Beecroft Community Centre	Management Committee (no voting rights)	(£0)	Less than £500
P.Hollick	BGC Enterprises	Member	(£0)	£8k
D.Jones	Leisure Connection PLC	Son employed by company	(£0)	£23k
J.Lawrence	Christian Family Care	Member	(£0)	£541k
A.Lewis	Potton History Society	Member	Less than (£500)	Less than £500
R.Stay	Deloitte LLP	Commercial / paid	(£0)	£25k
R.Stay	Mitie plc	Commercial / paid	(£0)	£208k
G.Summerfield	Lloyds Worrall Ltd	Employer	(£0)	£2k
B.Wells	Aragon Housing Assoc.	Member	(£0)	£1,894k

Senior Officers:

Senior Officers are defined as per Note 35.

No related party transactions were listed on any of the senior officers' signed declarations forms.

Other Public Bodies:

The Council has a pooled budget arrangement with NHS Bedfordshire and Bedford Borough Council for the provision of Community Equipment Services. Transactions and balances outstanding are detailed in Note 33.

Pension Fund:

Central Bedfordshire Council is not an administering Council with regard to pension funds.

Entities Controlled or Significantly Influenced by the Council:

There are no groups controlled or significantly influenced by Central Bedfordshire Council.

Note 40) Capital Expenditure and Capital Financing

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Opening capital financing requirement	192,416	194,831
Capital investment:		
* Property, plant and equipment	39,629	38,873
* Investment properties	0	0
* Intangible assets	1,743	1,369
* Revenue funded from capital under statute	10,619	12,103
Sources of finance:		
* Capital receipts	(18,132)	(13,184)
* Government grant and other contributions	(25,514)	(24,722)
Sums set aside from revenue:		
* Direct revenue contributions	(702)	(1,502)
* Minimum Revenue Provision / loans fund principal	(4,473)	(6,321)
Other movements	(756)	(227)
Closing Capital Financing Requirement	194,831	201,220
Explanation of movement in year:		
* Increase in underlying need to borrow (supported)	0	0
* Increase in underlying need to borrow (unsupported)	2,415	5,268
* Assets acquired under finance leases	0	1,121
* Assets acquired under PFI contracts	0	0
Increase/(decrease) in Capital Financing Requirement	2,415	6,389

The Council received approval to capitalise £0.4m of redundancy costs incurred in the 2010/11 financial year. The application was in response to the following exception circumstances:

- The speed at which the Council had to be formed, after the announcement of the Government's unitary decision, that meant unsustainable management structures had to be redressed for the longer term
- The review and ultimate disbanding of inherited unprofitable joint working arrangements from legacy authorities and
- Government's implementation of Area Based Grant cuts in early summer of 2010.

Note 41) Leases

Council as Lessee:

Finance Leases:

The Council has acquired a number of fleet vehicles and multi functional devices (printers) under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment:		
* Fleet vehicles	77	37
* Multi-functional devices	0	1,121
Total	77	1,158

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
<u>Finance leases liabilities (net present value of minimum lease payments)</u>		
Current	(43)	(225)
Non-current	(35)	(741)
Finance costs payable in future years	0	(199)
Minimum lease payments	(77)	(1,165)

The minimum lease payments will be payable over the following periods:

	<u>Minimum</u> <u>Lease</u> <u>Payments</u>	<u>Finance</u> <u>lease</u> <u>Liabilities</u>	<u>Minimum</u> <u>Lease</u> <u>Payments</u>	<u>Finance</u> <u>lease</u> <u>Liabilities</u>
	<u>2009/10</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Not later than one year	(43)	(43)	(302)	(225)
Later than one year and not later than five years	(35)	(35)	(864)	(741)
Later than five years	0	0	0	0
Total	(77)	(77)	(1,165)	(966)

Operating Leases:

The Council has use of a number of buildings by entering into operating leases, with various lease lengths from 1 to 99 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Not later than one year	438	366
Later than one year and not later than five years	1,046	1,133
Later than five years	1,122	998
Total	2,606	2,497

The expenditure charged to various services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Minimum lease payments	2,606	2,497
Contingent rents	0	0
Sub-lease payments receivable	0	0
Total	2,606	2,497

Council as Lessor:

Finance Leases:

The Council has no leased out assets whereby the Council would be lessor, that meet the definition of a finance lease.

Operating Leases:

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for agricultural purposes

The future minimum lease payments receivable under non-cancellable leases in future years are:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Not later than one year	1,360	1,335
Later than one year and not later than five years	1,874	1,798
Later than five years	2,358	1,952
Total	5,592	5,085

Note 42) PFI and Similar Contracts

In December 2003, Bedfordshire County Council entered into a contract with Bedfordshire Education Partnership Ltd for the provision of new buildings, the refurbishment of existing building and associated facilities management at 2 schools. The annual unitary charge paid by the council to Bedford Education Partnership Ltd was £3.96mn in 2010/11 and is subject to increases linked to the RPIX until the contract expires on 31 December 2035. Estimated index-ated payments due to be made under the PFI arrangements are as follows:

	<u>Payment for</u>	<u>Reimburse-</u>	<u>Interest</u>	<u>Total</u>
	<u>service</u>	<u>ment of</u>		
	<u>£'000</u>	<u>capital</u>	<u>£'000</u>	<u>£'000</u>
	<u>£'000</u>	<u>expenditure</u>	<u>£'000</u>	<u>£'000</u>
Payable in 2011/12	1,955	456	1,561	3,972
Payable within 2 to 5 years	8,066	2,289	6,307	16,662
Payable within 6 to 10 years	11,515	3,206	8,021	22,741
Payable within 11 to 15 years	14,184	2,604	8,383	25,172
Payable within 16 to 20 years	15,340	3,752	8,884	27,976
Payable within 20 to 25 years	15,590	5,699	9,920	31,210
Payable within 25 to 30 years	1,947	1,152	3,425	6,524
Total	68,597	19,158	46,501	134,257

Payments:

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the

capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	20,459	19,716
Payments during the year	(743)	(558)
Capital expenditure incurred in the year	0	0
Other movements	0	0
Balance outstanding at year end	19,716	19,158

Note 43) Impairment Losses

During 2010/11, the Council has no recognised impairment losses.

Note 44) Capitalisation of Borrowing Costs

The Council has not capitalised borrowing costs during the 2010/11 financial year.

Note 45) Termination Benefits

The Council terminated the contract of one employee in 2010/11 incurring costs of £12k due to a period of “gardening” leave (one termination in 2009/10).

Note 46) Pension Schemes Accounted for as Defined Contribution Schemes

The Council does not participate in any defined contribution schemes.

Teachers employed by the Council are members of the Teachers’ Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers’ contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Council paid £8.9m to Teachers’ Pensions in respect of teachers’ retirement benefits (£8.9m 2009/10), representing 14.2% of pensionable pay (14.2% 2009/10). There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers’ scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

Note 47) Defined Benefit Pension Schemes

Participation in Pension Schemes:

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in one post employment scheme: The Local Government Pension Scheme (LGPS), administered locally by Bedfordshire Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. There are no other schemes other than LGPS.

Transactions Relating to Post-employment Benefits:

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	<u>2009/10</u>	<u>LGPS</u> <u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
<u>Cost of services:</u>		
* Current service costs	7,851	14,698
* Past service costs	0	(62,767)
* Settlements and curtailments	839	324
<u>Financing and Investment Income and expenditure:</u>		
* Interest cost	29,356	34,708
* Expected return on any re-imbursement right recognised as an asset	0	0
* Expected return on scheme assets	(16,241)	(23,446)
Total post-employment benefits charged to the Surplus/deficit on the provision of services	21,805	(36,483)
<u>Other Post-employment benefits charged to Comprehensive Income and Expenditure Statement:</u>		
* Actuarial gains / (loss)	(164,810)	73,200
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	(164,810)	73,200
<u>Movement in Reserves Statement:</u>		
* Reversal of net charge to Surplus/deficit for the provision of services for post employment benefits in accordance with code	(75,800)	129,073
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>		
* Employers contributions payable to scheme	20,869	18,105
* Retirement benefits payable to pensioners	-	-

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £91,610k (£164,810k) to 31 March 2010).

Assets and Liabilities in Relation to Post-employment Benefits:

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	<u>2009/10</u>	<u>Funded liabilities- LGPS</u>
	<u>£'000</u>	<u>2010/11</u>
		<u>£'000</u>
Opening balance at 1st April	429,040	678,476
Current service costs	7,851	14,696
Interest cost	29,356	34,708
Contributions by scheme participants	5,050	5,113
Actuarial gains and losses	224,321	(119,401)
Benefits paid	(17,981)	(17,646)
Past service costs	0	(62,767)
Entity combinations	0	0
Curtailments	839	324
Settlements	0	0
Closing balance at 31st March	678,476	533,503

Reconciliation of fair value of the scheme assets:

	<u>2009/10</u>	<u>LGPS</u>
	<u>£'000</u>	<u>2010/11</u>
		<u>£'000</u>
Opening balance at 1st April	267,058	352,121
Expected rate of return	16,241	23,446
Actuarial gains and losses	59,511	(46,201)
Employer contributions	20,869	18,105
Contributions by scheme participants	5,050	5,113
Benefits paid	(16,608)	(16,361)
Curtailments	0	0
Settlements	0	0
Closing balance at 31st March	352,121	336,223

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual income from / return on scheme assets in the year was £26,932k (2009/10: £75,752k).

Scheme History:

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Present value of liabilities:</u>					
* LGPS	0	0	0	(678,476)	(533,505)
Fair Value of assets in the LGPS:	0	0	0	352,121	336,223
<u>Surplus/(deficit) in the scheme:</u>					
* LGPS	0	0	0	(326,355)	(197,282)
Total	0	0	0	352,121	336,223

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of (£533,505k) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of (£197,282k). However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the LGPS will be made good by increased

contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £17,163k.

Basis for Estimating Assets and Liabilities:

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Borough Council Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	<u>2009/10</u>	<u>LGPS 2010/11</u>
<u>Long term expected rate of return on assets in the scheme:</u>		
* Equity investments	7.8%	7.5%
* Bonds	5.0%	4.9%
* Property	5.8%	5.5%
* Cash	4.8%	4.6%
* Other	0.0%	0.0%
<u>Mortality assumptions:</u>		
Longevity at 65 for current pensioners:		
* Men	20.8	21.6
* Women	24.1	23.2
Longevity at 65 for future pensioners:		
* Men	22.3	23.6
* Women	25.7	25.6
Rate of Inflation	3.8%	2.8%
Rate of increase in salaries	5.3%	5.1%
Rate of increase in pensions	6.6%	6.3%
Rate of discounting scheme liabilities	5.5%	5.5%
Take up of option to convert annual pension into retirements lump sum	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	<u>2009/10</u>	<u>2010/11</u>
	%	%
* Equity investments	58.0	54.0
* Bonds	22.0	23.0
* Property	6.0	9.0
* Cash	14.0	14.0
* Other	0.0	0
	100%	100%

History of Experience Gains and Losses:

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	%	%	%	%	%
Difference between the expected and actual return on assets	0	0	0	(16.90)	(1.04)
Experience gains and losses on liabilities	0	0	0	0.16	(10.09)

Note 48) Contingent Liabilities

At 31 March 2011, the Council is aware of 2 events that could lead to future legal claims:

- 1 personal injury, and
- 1 asbestos related incident

As no official claims have been logged with the courts, these cases are treated as known incidents but without legal / insurance action pending, as such no provision is made under note 22 currently. However, as future legal action cannot be ruled out, they are classified as contingent liabilities.

Owing to errors on the Council's 2010/11 P11D return, there is a possibility that HMRC may opt to issue a fine, however no formal decision has yet been made.

Municipal Mutual Insurance (MMI)- This relates to a potential claw-back of funds by the MMI to cover claims they have previously paid relating to diseases such as asbestos exposure. This liability is subject to legal review in summer 2012 and due to this uncertainty may not materialise.

Emerging Claims Buffer- This relates to new claims types that may transpire such as stress, abuse etc. The estimated figure is recognised as a Contingent Liability.

Note 49) Contingent Assets

At 31 March 2011, the Council is not aware of any contingent assets.

Note 50) Nature and Extent of Risks Arising from Financial Instruments

The Council's 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's overall risk management programme includes focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance Department's treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk:

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, which will be the highest short term and long term rating (equivalent to A+ or higher) assigned by Moody's Investors Services, Standards & Poor's, Fitch rating and either have access to the UK Government's Credit Guarantee Scheme or are systemically important to the sovereign state's economy. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

New specified investments will be made within the following limits:

Instrument	Country	Counterparty	Maximum Investments %/£m	Limit of
In-house Term Deposits	UK	DMADF, DMO	No limit	
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit	
Term Deposits/Call Accounts	UK	Abbey	25	
Term Deposits/Call Accounts	UK	Bank of Scotland/Lloyds	25	
Term Deposits/Call Accounts	UK	Barclays	25	
Term Deposits/Call Accounts	UK	Clydesdale	25	
Term Deposits/Call Accounts	UK	HSBC	25	
Term Deposits/Call Accounts	UK	Nationwide	25	
Term Deposits/Call Accounts	UK	Royal Bank of Scotland/Natwest	30	
Term Deposits/Call Accounts	Australia	Australia and NZ Banking Group	5	
Term Deposits/Call Accounts	Australia	Commonwealth Bank of Australia	5	
Term Deposits/Call Accounts	Australia	National Australia Bank Ltd	5	
Term Deposits/Call Accounts	Australia	Westpac Banking Corp	5	
Term Deposits/Call Accounts	Canada	Bank of Montreal	5	
Term Deposits/Call Accounts	Canada	Bank of Nova Scotia	5	
Term Deposits/Call Accounts	Canada	Canadian Imperial Bank of Commerce	5	
Term Deposits/Call Accounts	Canada	Royal Bank of Canada	5	
Term Deposits/Call Accounts	Canada	Toronto-Dominion Bank	5	
Term Deposits/Call Accounts	Finland	Nordea Bank Finland	5	
Term Deposits/Call Accounts	France	BNP Paribas	5	
Term Deposits/Call Accounts	France	Calyon (Credit Agricole Group)	5	
Term Deposits/Call Accounts	France	Credit Agricole SA	5	
Term Deposits/Call Accounts	Germany	Deutsche Bank AG	5	
Term Deposits/Call Accounts	Netherlands	Rabobank	5	

Term Deposits/Call Accounts	Spain	Banco Bilbao Vizcaya Argentaria	5
Term Deposits/Call Accounts	Spain	Banco Santander SA	5
Term Deposits/Call Accounts	Switzerland	Credit Suisse	5
Term Deposits/Call Accounts	US	JP Morgan	5
Gilts	UK	DMO	No limit
Bonds	EU	For example, European Investment Bank/ Council of Europe	
AAA rated Money Market Funds	UK/Ireland/ Luxembourg	CNAV MMFs	40%
Other MMFs and CIS	UK	Collective Investment Schemes	
Instrument External		Counterparty	Maximum Limit of Investments %/£m
Deposits, Certificates of Deposits,	Fund Managers	Min AA-long term category and F1+ short term rating or equivalent	15% per counterparty
	Lime Fund	N/A	£10m

Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity. Advice given is that non-UK banks should be restricted to a maximum exposure of 40%.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last two financial years, adjusted to reflect current market conditions:

31/03/2011	Amount at 31 March £'000	Historical experience of default % £'000	Historical experience adjusted for market conditions at 31st March % £'000	Estimate max exposure to default and uncollectability at 31st March £'000	Estimate max exposure as 31st March £'000
	A	B	C	(A*C)	
Bonds	41,471	0.0%	0.00%	0	0
Customers	12,463	0.6%	0.75%	93	93
Total	53,934	-	-	93	93

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

The Council does not generally allow credit for customers, such that all the £12.5m Customers balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<u>2009/10</u> £'000	<u>2010/11</u> £'000
Less than 3 months	13,185	10,154
Three to six months	1,541	645
Six months to one year	3,083	971
More than a year	3,522	693
Total	21,331	12,463

Liquidity Risk:

The Council has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans 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 Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 20% of loans are due to mature within any one year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	<u>2009/10</u> £'000	<u>2010/11</u> £'000
Less than one year	5,006	646
Between one and two years	651	28,968
Between two and five years	28,973	16,058
Between five and ten years	16,060	12,732
Between ten and 25 years	34,653	97,833
More than 25 years	73,846	0
Total	159,189	156,237

Market Risk:

Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or

Other Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 35% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<u>2010/11</u> <u>£'000</u>
Increase in interest payable on variable rate borrowing	356
Increase in interest receivable on variable rate investments	(180)
Increase in government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	(17,356)
Impact on Other Comprehensive Income and expenditure	(17,356)
Decrease in fair value of fixed rate borrowing liabilities (no impact on the surplus/deficit on the provision of services or other Comprehensive Income and expenditure)	(17,180)

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

Price Risk

The Council does not invest in equity shares but does hold units to the value of £5m in a property fund with Aviva Investors (Lime Fund). The Council is consequently exposed to losses arising from movements in the prices of the units.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies, therefore the Council has no exposure to losses potentially arising from movements in exchange rates.

**HOUSING REVENUE ACCOUNT (HRA)- INCOME AND EXPENDITURE
STATEMENT**

<u>2009/10</u> £'000	<u>Note</u>	<u>2010/11</u> £'000	<u>2010/11</u> £'000
Expenditure			
4,395		4,887	
4,970		4,940	
174		152	
12,329	8	12,362	
18,444	7	44,603	
156		79	
0		25	
<u>40,468</u>			<u>67,048</u>
Income			
(20,555)		(20,836)	
(484)		(491)	
(821)		(823)	
(4,231)		(4,584)	
<u>(26,091)</u>			<u>(26,733)</u>
14,377			40,315
Net Cost of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement			
104			105
<u>HRA Services share of Corporate and Democratic Core</u>			
<u>HRA share of other amounts included in the whole Council Net Cost of Services but not allocated to specific Services</u>			
0			(4,278)
<u>104</u>			<u>(4,173)</u>
14,481			36,142
Net Cost of HRA Services			
<u>HRA share of Operating Income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement</u>			
(467)			(429)
(216)			(199)
656	10		768
<u>Pensions Interest Cost & Expected Return on Pensions Assets</u>			
<u>(27)</u>			<u>140</u>
14,454			36,282
(Surplus) / Deficit for the Year on HRA services			

MOVEMENT ON THE HRA STATEMENT

<u>2009/10</u> <u>£'000</u>	<u>Note</u>	<u>2010/11</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
4,038			4,224
(14,454)		(36,282)	
14,849		41,579	
(467)		(429)	
656		(3,830)	
(343)	4	(835)	
241			203
(55)	3	(684)	
(55)			(684)
186			(482)
4,224			3,742

HRA Note 1) Housing Stock

<u>Property Type</u>	<u>Stock at 01/04/2010</u>	<u>Additions</u>	<u>Sales</u>	<u>Deleted / Demolished</u>	<u>Stock at 31/03/2011</u>
Low rise flats	1,301	0	3	2	1,296
Medium rise flats	505	0	0	0	505
High rise flats	0	0	0	0	0
Houses & Bungalows	3,409	1	6	0	3,404
Total	5,215	1	9	2	5,205

HRA Note 2) Balance Sheet Values of HRA Assets

<u>Operational Assets</u>	<u>Value at 01/04/2010</u>	<u>Value at 31/03/2011</u>
	<u>£'000</u>	<u>£'000</u>
Council Houses & garages	338,865	296,999
Sheltered Housing Offices	184	191
Land	13	13
Shops	531	504
Total	339,593	297,707

The value of the housing stock within the HRA shows the economic value of providing Council housing at less than open market rents and therefore the value is shown in relation to existing use for social housing. The vacant possession value of the housing stock at 31 March 2011 was £642m (31 March 2010 £645m).

The vacant possession percentage used for 2010/11 was 39% (46% 2009/10).

HRA Note 3) Major Repairs Reserve

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance @ 01/04/2010	(200)	(200)
Total Depreciation on all HRA assets	(3,595)	(3,024)
Depreciation less than the Major Repairs Allowance transferred to HRA	(55)	(684)
Expenditure in year	3,650	3,708
Balance @ 31/03/2011	(200)	(200)

HRA Note 4) Capital Expenditure and Financing

The Council spent £6.172m on HRA capital projects in 2010/11 (2009/10 £5.483m). This spending was financed from the following sources:

<u>Source of Finance</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Major repairs allowance	3,650	3,709
Capital Expenditure funded from revenue	343	835
Capital Receipts	1,490	1,628
Supported Borrowing	0	0
Total	5,483	6,172

HRA Note 5) Capital Receipts

The total receipts from the sale of HRA assets in the year were as follows:

<u>Asset Type</u>	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Sale of Council houses	1,104	837
Right to buy discount repaid	0	28
Principal repayments on mortgage	35	32
Sale of land	0	12
Total	1,139	909

HRA Note 6) Capital Charges

The net capital charge to or from the HRA is known as the Item 8 Credit and the Item 8 Debit (General) Determination. The charge is based on the HRA capital financing requirement (CFR). It is calculated as the CFR multiplied by the year's average interest rate for PWLB loans if the CFR is positive or by the average interest rate obtained by the Council on its investments. In 2009/10 and 2010/11 the HRA CFR was negative so the latter method was used as follows:

	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
HRA investment income	(142)	(130)
Interest on cash balances & mortgages	(74)	(68)
Other interest received	0	0
Total	(216)	(198)

HRA Note 7) Depreciation and Impairment

Depreciation and impairment is only charged to the HRA in respect of operational assets. The charges were as follows:

	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Council houses- depreciation	3,595	3,024
Council houses- impairment	14,849	41,578
Depreciation- other properties	0	0
Total	18,444	44,602

Impairment relates to a general reduction in the value of Council houses due to a fall in the market prices for housing, which are reflected in the indices used to value the housing stock.

HRA Note 8) Negative Subsidy Payments

When the notional housing subsidy becomes negative, the Council is obliged to pay to the Department for Communities and Local Government (DCLG) the value of the assumed surplus on the HRA. This arrangement was brought about in 2005/06, when the value of rent rebates payable to housing tenants was transferred as a cost to the General Fund. Since this date, the Council no longer receives housing subsidy on its HRA activities. The breakdown of the negative subsidy payment to the DCLG is as follows:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Rent income	(20,267)	(20,735)
Interest receipts	(185)	(44)
Management and maintenance	8,073	8,417
Total	(12,379)	(12,362)

HRA Note 9) Rent Arrears

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Current tenant arrears	617	532
Former tenant arrears	237	250
Total	854	782
Bad debt provision	(375)	(328)
Total	479	454

HRA Note 10) The HRA share of Contributions to/from the Pensions Reserve

The Council recognises the share of pension fund net assets and liabilities attributable to the HRA within appropriations in the net operating costs for the service (6.82% based on contributions in year). Appropriate adjustments are made so as to ensure that the sum required to be funded by housing rents is equal to the actual contributions paid to the Pension Fund in the year. The following adjustments have been made through the Statement of Movement on the HRA balance in the year.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Current service costs & unfunded (within expenditure)	392	914
Past service costs	0	(4,278)
Pension interest costs	1,468	2,366
Expected return on assets	(812)	(1,598)
Net change to Income and expenditure account	1,048	(2,596)
Statement of movement in the HRA balance:		
Reversal of net charges made for retirement benefits	(5)	1,362
Employers contribution payable to the scheme (within expenditure)	(1,043)	(1,234)

THE COLLECTION FUND STATEMENT

2009/10 £'000	Note	2010/11 £'000	2010/11 £'000
135,017		139,472	
15,516		16,498	
2		(2)	
73,514	3	69,214	
224,049			225,183
129,901	4	134,646	
13,218	4	13,783	
7,676	4	7,849	
150,795			156,279
73,149		68,889	
330		325	
73,479			69,214
0		287	
401		(196)	
401			91
244	5		199
224,919			225,783
(870)			(601)
(43)			(913)
(539)		(346)	
(87)		(56)	
(626)			(402)
(244)	5		(199)
(870)			(601)
(913)	5		(1,514)

CF Note 1) Introduction

The Collection Fund is required to meet the statutory requirement to show the transactions of the billing Council in relation to Council tax and national nondomestic rates (NNDR). The Collection Fund shows how the transactions have been distributed to the Council and its major preceptors Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority. Town and parish precepts form part of the amount due to be collected from Council taxpayers within Central Bedfordshire.

CF Note 2) Council Tax Base

The tax base is derived by estimating the number of domestic properties in each Council tax band, applying reliefs and exemptions and multiplying the result by the weighting factor applicable to each tax band. This result is then reduced by 0.5% to allow for non-collection and other reductions such as discounts and appeals.

For 2010/11 the tax base was calculated as follows:

<u>Tax Band</u>	<u>Property by Band</u>	<u>Weighting Factor</u>	<u>Band D Equivalent</u>
A*	-	5/9	-
A	9,199	6/9	6,133
B	21,817	7/9	16,969
C	30,668	8/9	27,260
D	19,715	9/9	19,715
E	13,842	11/9	16,918
F	7,314	13/9	10,565
G	4,342	15/9	7,237
H	324	18/9	648
-	<u>107,221</u>	-	<u>105,444</u>
Less: other adjustments (discounts/appeals etc)			9,760
			<u>95,684</u>
Less: adjustment for collection rate (0.5%)			478
Tax Base 2010/11			<u>95,206</u>

The amount of Council Tax required by Central Bedfordshire is arrived at by dividing the net budget requirement of the Council by the tax base to arrive at the Band D equivalent as follows:

2010/11: £126,143,895 / 95,206 = £1,324.96p (2009/10: £130,060,951 / 94,040 = £1,383.04p). This is then split by:

- North: £126,143,895 / 51,012 = £1,308.33p
- South: £126,143,895 / 44,194 = £1,344.15p

CF Note 3) NNDR

The total non-domestic rateable value at 31 March 2011 was £203,820,917 as per the Valuation Office's schedule dated 31-Mar-2011 (£177,814,489 in 2009/10).

The 2010/11 NNDR standard multiplier set for the year by the Government was 41.4p (48.5p in 2009/10) and 40.7p for small businesses.

NNDR income was £69,214k (£73,514k 2009/10).

CF Note 4) Major Precepting Authorities

The major precepting authorities were:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Central Bedfordshire Council	129,901	134,646
Bedfordshire Police Authority	13,218	13,783
Bedfordshire & Luton Combined Fire Authority	7,676	7,849
Total	150,795	156,279

CF Note 5) Allocation of the Collection Fund

The Council now only has to reflect balances held in respect of its own share of Council tax debt. The remaining balances are reflected within the Balance Sheet as debtors or creditors with major preceptors and the government depending on whether the cash paid over to them is more or less than their attribute share of Council tax or NNDR due for the year, net of any provision for bad debts.

For 2010/11, the balances calculated on this basis are as follows:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance 1 st April	(43)	(913)
Allocated in year:		
* Central Bedfordshire Council	(210)	(171)
* Bedfordshire Police Authority	(21)	(18)
* Bedfordshire & Luton Combined Fire Authority	(12)	(10)
Total Distributed	(244)	(199)
Prior years surplus to be distributed / (overpayment-deficit)	(287)	(1,112)
Surplus/(deficit) in year	(626)	(402)
Balance 31st March	(913)	(1,514)
<u>Allocated Between:</u>		
Bedfordshire Police Authority	2009/10 and prior	(80)
Bedfordshire Police Authority	2010/11	-
Bedfordshire & Luton Combined Fire Authority	2009/10 and prior	(46)
Bedfordshire & Luton Fire Combined Authority	2010/11	-
Total recorded within creditors	(127)	(210)
Central Bedfordshire Council	2009/10 and prior	(786)
Central Bedfordshire Council	2010/11	-
Total recorded within the Collection Fund	(786)	(1,304)
Balance 31st March	(913)	(1,514)

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Chief Finance Officer is the Assistant Director Financial Services within the Customer Services and Shared Services Directorate
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- Approve the Statement of Accounts.

The Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (IFRS compliant)

In preparing this statement, the Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent,
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper accounting records, which were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification and Approval

The Statement of Accounts presents a true and fair view of the financial position of Central Bedfordshire Council at 31st March 2011 and its income and expenditure for the year ended 31st March 2011.

.....
John Unsworth
Chief Finance Officer

Date: 27/09/2011

I confirm that the Statement of Accounts were approved by the Audit Committee of Central Bedfordshire Council at its meeting on 27th September 2011.

.....
David Bowater, ARCS, BSc Hons.
Chair of the Audit Committee

Date:

ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

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

Central Bedfordshire also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

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

Central Bedfordshire 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 this code is on our website www.centralbedfordshire.gov.uk and can be obtained from:-

Central Bedfordshire Council,
Legal and Democratic Services,
Priory House,
Monks Way,
Chicksands,
Shefford,
Bedfordshire SG17 5TQ

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

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework is made up of the systems, processes, culture and values by which the authority directs and controls its activities and through which it accounts to, engages with and leads the community. The governance framework enables the authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost effective services. The governance framework is described in the Code of Corporate Governance.

The system of internal control is a significant part of the governance 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 assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of

the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring, the impact should they happen, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Central Bedfordshire Council for the current financial year.

3.0 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:

3.1 The Council's Vision

The Council has committed itself to a vision for Central Bedfordshire that has been developed and adopted by the Local Strategic Partnership as part of the Sustainable Communities Strategy. This vision is:

- to realise the area's economic potential;
- to be globally connected;
- delivering sustainable growth
- and ensuring a green, prosperous and ambitious place for the benefit of all.

Beneath this vision, the Council has five priorities set for the period 2009-11:

- Supporting and caring for an ageing population
- Educating, protecting and providing opportunities for children and young people
- Managing growth effectively
- Creating safer communities
- Promoting healthier lifestyles.

Our extensive MORI survey work with the public in 2009 reinforced the Council's stated priorities.

Directorate and the Children and Young People's Plans are in place to drive delivery of the Council's key work programmes.

The Council has also committed to a set of organisational values that describe the type of organisation we want to be and the principles that will guide us in achieving our priorities and vision. These set out the way the council will work and interact with its customers, members and staff.

The Council's values are:

- Respect and Empowerment – we will treat people as individuals who matter to us
- Stewardship and Efficiency – we will make the best use of the resources available to us
- Results Focused – we will focus on the outcomes that make a difference to people's lives, and
- Collaborative – we will work closely with our colleagues, partners and customers to deliver on these outcomes.

3.2 Service Quality

We have used regular performance reporting to ensure a sustained focus on those things that matter most to local people; our key priorities are set out in our Strategic Plan. We have a focussed and disciplined approach to producing, reviewing and acting on this critical performance information and it has resulted in significant success in both delivering short and medium term priorities and in the continuing improvement in the performance of our services.

At a strategic level, the Corporate Management Team (CMT) receives a quarterly report setting out the overall performance of the Council. This comprises the key directorate and corporate health performance indicators. This report is then presented to the Executive with any specific issues addressed through Overview & Scrutiny. Supporting this strategic approach, each month Directorate Management Teams receive a report setting out the key performance of the directorate, with associated commentary provided by the Assistant Directors.

Central Bedfordshire Council wants to ensure that it provides services which address the needs of all members of the community and employs a workforce that at all levels is representative of the community it serves.

The Council conducts equality analysis by means of Equality Impact Assessments as strategies, policies and services are developed to:

- Consider issues relating to age, disability, sex, pregnancy and maternity, gender reassignment, marriage and civil partnerships, race, religion and belief and sexual orientation;
- Obtain a clearer understanding of how different groups may be affected;
- Identify changes which may need to be built into an initiative as it is developed;
- Comply with legislative requirements;
- Identify good practice.

3.3 Key roles and responsibilities

The Council's Constitution sets out how the Council operates. It indicates clearly what matters are reserved for decision by the full Council itself, those powers which have been delegated to committees and officers. The powers of the Executive and those delegated to individual portfolio holders are also defined. The Council has adopted an innovative approach to the design of its Constitution with separate chapters covering each of the main areas of operation (i.e. Council, Executive, Overview and Scrutiny, Officers, Joint Arrangements, Ethics and Standards etc). The Constitution is reviewed regularly.

All Councillors meet together as the full Council. Here Councillors decide the budget and policy framework, appoint the Leader and committees. It is the forum for major debates and consideration of matters of interest to the whole community of Central Bedfordshire as well as holding the Executive and committees to account.

The Executive is responsible for the key decisions of the Council. The Executive has to make decisions which are in line with the budget and policy framework. The Leader appoints the Executive and determines which portfolios Executive members will hold. The Leader is also able to delegate Executive functions to an individual portfolio holder, a committee of the Executive or an officer. Procedures are in place to record and document any such decisions taken by the Leader. Where major

decisions (known as “key decisions”) are to be discussed, these are published in the Executive’s forward plan, in so far as they can be anticipated.

The Council has established four overview and scrutiny committees which are aligned to the organisational structure. These committees support the work of the Executive and Council as a whole. They submit reports which advise the Executive on policy development, budget and service delivery. Overview and scrutiny committees also monitor and scrutinise the decisions of the Executive, including power to “call-in” a decision which has been made by the Executive but has yet to be implemented. Overview and scrutiny committees allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. The overview and scrutiny committees have played a significant role in policy development.

The key policies of the Council are defined in the “Policy Framework” which is set out in the Budget and Policy Framework Procedure Rules within the Constitution. The Council, via the Constitution Advisory Group, reviews the Policy Framework annually to ensure that it is fit for purpose and contains the most strategically important plans and those closely aligned to its corporate priorities.

The Constitution describes the role of the statutory officers (the Head of Paid Service, the Monitoring Officer and Chief Finance Officer) as well as describing in the Scheme of Delegation those statutory duties for which officers are responsible. It also includes a Member/Officer protocol which sets out a framework to guide officers and members in their joint working. Role definitions covering the responsibilities and accountabilities of key member offices (e.g. Leader, Portfolio holder, Overview and Scrutiny Chairman, Chairman of the Council) have also been developed to assist in understanding their respective roles and expectations.

The governance arrangements for the Chief Finance Officer are set out in the CIPFA statement on the Role of the Chief Finance Officer in Local Government (2010) and are as follows:

The Chief Finance Officer in a public service organisation:

- (a) is a key member of the strategic management of the Council, helping it to develop and implement strategy and to resource and deliver the authority’s strategic objectives sustainably and in the public interest;
- (b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority’s financial strategy; and
- (c) must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Finance Officer

- (1) must lead and direct a finance function that is resourced to be fit for purpose; and
- (2) must be professionally qualified and suitably experienced.

The Assistant Director Financial Services is designated as the Council’s Chief Finance Officer. The post holder is not a full member of the Council’s Corporate Management Team (CMT) but he/she has access to the agenda, reports and minutes of CMT and attends CMT meetings.

The powers of officers are clearly defined in the Scheme of Delegation to Officers and the Scheme also sets out the circumstances in which delegations are not to be exercised and principles which should be taken into account by decision takers in taking decisions. High level Codes of Financial and Procurement Governance set out the constraints within which officers must work and these Codes are supported by more detailed procedure rules.

Internal systems are in place with the aim of ensuring that Members are presented with the appropriate information to make decisions, including corporate implications with advice on legal, risk and financial considerations. Member level decisions are made on the basis of reports and are recorded. The Constitution also sets out the principles that decision makers should apply when taking decisions on the Council's behalf.

3.4 Codes of conduct and standards of behaviour Officers and Members

Central Bedfordshire Council has embedded a standards regime within which it operates. The Standards Committee for Central Bedfordshire Council consists of 15 Members, 5 of whom are Independent, 5 from Town and Parish Councils and 5 elected Members. There is a comprehensive system to deal with local determinations of alleged breaches of the Members' Code of Conduct via Sub-Committees, which assess, review and determine complaints. All are chaired by Independent Members. In 2010/11 the Council received a total of 14 complaints alleging breaches of the Code of Conduct. Of these, 8 concerned members of Central Bedfordshire Council and 8 related to members of Town and Parish Councils. (There were two complaints that related to members of both Central Bedfordshire Council and a Town or Parish Council.)

The Code of Conduct for Members is contained within the Constitution, together with a Code of Conduct for Officers, a Protocol for Members/Officer Relations and a Monitoring Officer Protocol. Additionally, there is an Ethical Handbook for Central Bedfordshire Council which contains further codes relating to Gifts and Hospitality, Planning Code of Good Practice, Licensing Code of Good Practice, Confidential Reporting Code (Whistleblowing) and Members' Guidance on Property Transactions and Commercial Property Management, together with details of the indemnity that the Council has provided for Members and Officers of the Council.

Ethical standards have been embedded within the Authority by way of comprehensive training and development to Members. We have also provided training to Members of Town and Parish Councils. The Standards Committee believes that "standards matter" and has adopted this slogan to raise its profile. The Council's magazine circulated to all households has included an article by the Chair of the Standards Committee. A web page is allocated to standard matters.

The Chief Executive and the Leader of the Council meet with the Chair of Standards Committee to ensure the profile of standards remains high on the agenda.

The Council's Head of Legal & Democratic Services has been appointed to the position of Monitoring Officer and has direct access to the Council's Corporate Management Team.

During 2011/12 the arrangements described above will require review to reflect the changes that are likely to be enacted in the Localism Bill. The Bill proposes the abolition of Standards for England and the current Standards Framework in favour of greater local discretion.

3.5 Decisions, processes and controls

The Council keeps the Constitution under review.

A Constitution Advisory Group supported by the Monitoring Officer meets on a bi-monthly basis and has an annual work programme. As well as reactive work, the Group's terms of reference provide for a proactive approach, with the Group being tasked to investigate options for increasing efficiency, transparency of decision making and public engagement. Any recommendations for amendments to the Constitution are submitted to full Council.

Amendments to the Constitution are circulated on a quarterly basis. The Constitution is available on the Council's website which is also updated at the same time as the hard copy of the document is re-issued.

Training on the Constitution has been provided to Members and Officers and a "Frequently Asked Questions" document with links to the relevant part of the Constitution has been developed and has been published on the Council's website.

The Scheme of Delegation to Officers sets out the powers which are delegated to the Chief Executive and Directors, as well as setting out the general principles governing the circumstances in which decisions may not be taken under delegation and considerations to be taken into account by a decision maker when making a decision. Procedures are in place to enable Directors to sub-delegate to other officers and to notify the Monitoring Officer of any such arrangements made.

The Code of Financial Governance sets out the limits within which officers may make decisions on spending, within the budget approved by the Council. The Code is supported by detailed procedure rules which are maintained on the Council's intranet.

The Code of Procurement Governance defines the procurement process and the relevant levels of authority dependant upon financial thresholds. The Code is supported by detailed procedure rules which are maintained on the Council's intranet. The rules are promoted to staff through bespoke training courses which are booked through HR Learning & Development. They are also embedded in a Procurement Tool Kit which is made available to all members of staff who are involved in procurement. A two page pictorial summary of the rules is also made available on laminates of A3, A4 and credit card size as aide memoires

The responsibility for risk management has transferred to the Office of the Chief Executive and the Council's Risk Management Strategy and Strategic Risk register have recently been reviewed and refreshed. CMT have endorsed the updated Risk Management Strategy, and agreed that they will receive regular risk reports in line with the quarterly performance reporting cycle.

Committee reports require officers to set out the risk management considerations in terms of current and potential risks and how they will be managed and mitigated.

3.6 Functions of the Audit Committee

The terms of reference of the Audit Committee are set out in the Council's Constitution, and are broadly in accordance with the CIPFA guidance document. The purpose of the Audit Committee is to provide independent assurance of the

adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

3.7 Compliance with relevant laws and regulations

The Council maintains an in-house team of professional legal staff with specialist knowledge of its functions who advise on relevant laws, regulations and constitutional issues to ensure that the Council acts lawfully. The Legal Services Team inherited the Lexcel accreditation, a quality standard designed specifically for public and private sector legal practices, which was awarded to the County Council's Legal Services Team in January 2007. The Central Bedfordshire Legal Team was assessed in May 2010 and achieved Lexcel accreditation in its own right. This accreditation applies for three years with annual maintenance visits. Compliance with the Lexcel standard provides assurance that the in-house service provides a service in accordance best practice. There is a strong focus on continuous professional development to ensure that staff are well-trained and have up-to-date knowledge of all the relevant specialist areas of law that govern the Council's activities.

All reports that are considered by the Executive, the Council's regulatory committees and by Overview and Scrutiny Committees include advice on the legal implications and risks of the proposed decisions. These reports are reviewed by a senior legal adviser to ensure that the legal implications have been accurately reflected.

A senior lawyer attends meetings of the Council, the Executive and regulatory committees to advise on legal issues as they arise.

The Council has established a Constitution Advisory Group which meets regularly to review the workings of the Constitution and to recommend to the Council any changes that may be required.

3.8 Whistle-blowing and complaints

The Council has adopted a 'whistleblowing' policy known as the Confidential Reporting Code and contained in the Ethical Handbook section of the Constitution. This was reviewed and updated by both the Standards and Audit Committees in July 2009.

Alongside this Code, an Anti Fraud and Corruption Strategy was also approved by both committees and is now also included in the Ethical Handbook.

The Council welcomes feedback on its services and has a three stage complaints procedure for customers. There are timescales for remedying complaints. If more time is needed the complainant will be informed.

The Three Stages of the Complaints Procedure:

Stage 1 Complaints – local resolution by a manager of the service. A response is required to be made within five working days.

Stage 2 Complaints – senior service level investigation. A response is required to be made within 15 working days.

Stage 3 Complaints – investigation by someone outside of the service area complained about. A report is to be produced within 15 working days. The service Director responds to the findings in the report.

There are separate procedures for Children's Services and Adult Social Care where complaints procedures are governed by Regulations.

3.9 Development and training for Officers and Members

The organisation has adopted a set of values. The performance management process will also be used to embed the values and to identify the training and development priorities for staff. This in turn will trigger a programme of development. Our top three tiers of senior managers meet regularly as a senior management group, and engage in development activity.

Comprehensive Member induction took place in 2009/10 after the local elections, including specific work with our new Members. This was considered to be critical to the development of organisational capacity given the embryonic nature of the new unitary authority.

All 66 Councillors have undertaken a personal development review to identify their development needs. The outcomes of this exercise have enabled an informed approach to be taken to the formulation of the Member Development Programme for 2010/11.

A group of Member Development Champions has been established to take forward the Council's commitment to learning and development amongst its Councillors. As a new Council, Central Bedfordshire has had an unrivalled opportunity to ensure that, from the outset, best practice becomes embedded in our ways of working.

Recently, the Member Development Programme has been reviewed and a Members' Induction Programme has been agreed for implementation after the Council election in May 2011.

3.10 Channels of Communication

Central Bedfordshire Council has developed a Corporate Communication Strategy with the aim of improving customer satisfaction through the delivery of planned, sustained and two way communications with the public, staff and other stakeholders.

Specifically, the strategy commits the Council to:

- a) raise awareness and understanding of the organisational purpose, vision, priorities and values
- b) develop and improve its channels of direct communication with customers and stakeholders
- c) prioritise core campaigns
- d) enhance internal communications to facilitate change and increase staff engagement
- e) enhance media relations to enable accurate reporting of the decision making and service developments of the council
- f) support effective relationships with national and regional stakeholders.

Core channels for public communication include our community magazine, News Central, which is delivered to all households on a regular basis. The magazine

regularly includes information about all access routes to the Council, by phone, online or face to face.

The News Central magazine also includes features on policy and service developments, promotes consultations and invites feedback from customers. Copies of the magazine are available in alternative formats and it is published online.

The Council's website is an alternative channel to provide news and information to residents and other stakeholders. In order to strengthen our ability to engage with all elements of our community and particularly with younger people, the Council has developed a presence online to embrace social media through sites such as Wordpress, Facebook and Twitter.

Proactive media relations services also ensure that Council decision making and service developments are effectively reported to the media, which continues to be a key communication channel to the public.

Staff communication mechanisms combine a series of face to face, online and written media. These include regular staff briefings, a weekly electronic bulletin, a monthly management team cascade, blogs and updated news on the intranet.

Stakeholder communications channels comprise a stakeholder ezine, regular face to face fora and the publication of information on the Central Bedfordshire Together website, a bespoke site for the Local Strategic Partnership.

3.11 Partnership governance

The Council's Constitution includes a detailed Partnerships Protocol that sets out the arrangements and principles for established and future Public and Private Sector Partnerships. These are defined as:

Public Sector Strategic Partnerships: one or more public bodies, including voluntary organisations and charities that determine strategies for service delivery, but which have little or no resource management responsibilities;

Public Sector Delivery Partnerships: one or more public bodies, including voluntary organisations and charities that commission or deliver services on behalf of the partners and which have significant resource management responsibilities; and
Private Sector Partnerships: private companies, either in their own right or as part of a public sector partnership entering into a contract with the Council for a considerable period.

The Partnerships Protocol was developed in line with the Audit Commission's report on partnership governance and includes the following statement:

"All partnership arrangements entered into by the authority will follow the Audit Commission's guidelines on partnership governance outlined in the Governing Partnerships: Bridging the Accountability Gap (October 2005) document, the recommendations of which are to:"

The Partnerships Protocol then sets out all of the key requirements to ensure accountability (internally amongst partners and externally to communities), value for money, leadership, decision-making, scrutiny and risk management.

All partnerships are required to have detailed terms of reference that fully set out all of the arrangements and key partnerships, such as the Local Strategic Partnership, review these on an annual basis to ensure they are fit for purpose and aligned to the Partnership's future work programme.

4.0 REVIEW OF EFFECTIVENESS

Central Bedfordshire Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates:

The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular, the Council has adopted the CIPFA/SOLACE framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local Code of Corporate Governance. The Council's review process uses the key roles and core principles included in this guidance and this Statement sets out how the Council meets these roles and principles in its control and governance arrangements.

The Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports;
- the work undertaken by Internal Audit during the year;
- the work undertaken by the external auditor reported in their annual audit and inspection letter;
- other work undertaken by independent inspection bodies.

The arrangements for the provision of internal audit are contained within the Council's Code of Financial Governance which is included within the Constitution. The Director of Customer and Shared Services is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control, as required by the Accounts and Audit Regulations (amendments) 2006. The internal audit provision is managed, independently, by the Head of Audit who reports to the Assistant Director – Financial Services on an administrative basis, and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

The Internal Audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The resulting work plan is discussed and agreed with the Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These are submitted to Members, Directors and Head Teachers as appropriate.

The internal audit function is monitored and reviewed regularly by the Audit

Committee. The Committee also reviews progress in implementing high risk recommendations made in audit reports.

A self assessment review is undertaken annually by the Head of Internal Audit on the effectiveness of the Internal Audit function in addition to a similar exercise carried out by the Audit Commission during 2009/10. No issues of concern were raised as a result of this work by either review.

The Council has established Overview and Scrutiny Committees which receive reports on key issues including budget monitoring, performance and efficiency information.

The Council Plan and performance is monitored on a quarterly basis both by the Executive and Overview and Scrutiny Committees. Directorate and service plans contain a variety of performance indicators and targets that are regularly reviewed.

The Council has established a number of mechanisms to review and develop its efficiency targets. These include the 'Every Penny Counts' campaign, an Efficiency Implementation Group chaired by the Director of Children Services and Deputy Chief Executive as well as a review of the Senior Management structure in the organisation.

The Council's Standards Committee meets regularly and is updated on National and Local issues. Training Sessions were held for all Members on the Revised Code of Member Conduct.

The Council supports an Equality Forum (Central Bedfordshire Equality Forum) of voluntary sector representatives which acts as an advisory and consultative body to the Council on statutory service delivery and employment duties and issues relating to age, disability, gender, gender re-assignment, race, religion or belief and sexual orientation as they relate to Central Bedfordshire. The Core Functions of the Forum are:

- To provide a mechanism for consultation and liaison with community groups and other voluntary sector agencies.
- To advise on the overall development and implementation of the Council's Single Equality Scheme.
- To provide advice and feedback on the impact of new policies and ²functions.
- To consider and quality assure Equality Impact Assessments undertaken by the Council, or in conjunction with partners, relating to strategy, policy and service development. Recommendations will be fed back to the Equality Officers Working Group and relevant services.
- To raise awareness within the Council of the potential barriers to inclusion and equality of opportunity experienced by vulnerable and disadvantaged groups.

² Forum members will provide initial advice and feedback, where members feel that they cannot provide an informed analysis of the ways in which a strategy, service or policy proposal will impact on a certain group then secondary consultation will be required. This will be undertaken in accordance with the Council's Engagement and Consultation Strategies.

The Equality Forum meets four times a year and quality assures all the significant Council Strategies and Policies and the accompanying equality impact assessments. The Forum has already reviewed a number of key initiatives spanning all parts of the Council including that of the budget setting process. Extracts from impact assessments and minutes can be provided if required.

An Information Governance Steering Group is in place and is chaired by the Statutory Information Reporting Officer (SIRO) to improve and promote information governance.

5.0 SIGNIFICANT GOVERNANCE ISSUES

Due to the short timescales and complexity surrounding the implementation of the new unitary authority, there was always an acceptance that some significant governance issues could arise as the Council completed its first year. As a result the following issues were raised as areas of concern:

5.1 Adult Social Care performance

At a very early stage, there was concern that the performance of the Adult Social Care service was very poor and needed urgent attention. As a result a recovery board was created, chaired by the Chief Executive, that has led, completed and introduced improvement plans for eleven service areas as part of phase one of the an overall recovery programme. The phase two programme in 2010/11 is targeting four areas for improvement. The Council still recognises this as a risk, and oversight by the recovery board continues.

5.2 School Improvement

The Council has recognised that this is an area where there is under performance and as a means to raise the results at all key stages, has approved a vision which should set firm foundations for higher achievement in our school trusts, federations and partnerships.

5.3 Safeguarding Children

The Council recognises that there is a risk that a failure to improve service provision within Children's Services or a failure to implement new child protection procedures, and update guidance and share good practice could lead to death of vulnerable children, reputational damage and/or failure to identify children at risk of significant harm. There is a Children's Workforce Development Plan in place to achieve a significantly qualified workforce in the areas where staff are working with the most vulnerable children, and a clear communications strategy for managing high publicity cases within the media.

5.4 ICT Resilience

The merging of any ICT system or infrastructure is always a potentially risky operation. Having to merge the three different ICT infrastructures and departments into one was highly complex operation and the first phase of which was carried out under extremely short timescales. During this process we have taken steps to ensure good ICT governance and improve the resilience of our infrastructure and systems. The main objective of the resilience programme is to reduce the number of networks from four to one and good progress has been made on this during the last year. There was a severe outage of our ICT systems last year. Our business

continuity arrangements were actioned and this was a good learning experience for the Council and has further strengthened our resilience arrangements.

5.5 Medium Term Financial Strategy

The Council's financial health is critical to its future progress. In 2010/11 the Council identified a target of over £12M in efficiency savings. The Medium Term Strategy for 2011/12 to 2014/15 identifies a further £21M of efficiencies and service reductions which must be achieved to secure a breakeven position.

5.6 Results of the Internal Audit Managed Audits

There remain concerns within the Payroll systems resulting in a limited assurance opinion. Controls in this area need to be strengthened. A comprehensive review of the payroll function is being carried out and the outcome and recommendations from that review will be reported to the Customer and Central Services Overview and Scrutiny Committee.

Progress has been made during the year to address the control weaknesses identified during 2009/10 in respect of the managed audit of the key financial systems. However, further work is required to ensure timely reconciliations of feeder systems, suspense, control and bank accounts within the key financial systems during the year. Work to address these shortcomings has been undertaken in time to prepare the 2010/11 Annual Statement of Accounts.

There are also a number of concerns surrounding ICT access and security, including Disaster Recovery. Recommendations have been made to address these and where these are regarded as high risk they will continue to be monitored by the Audit Committee during 2011/12.

Internal audit work has been undertaken on the Shared services arrangements with Bedford Borough Council and recommendations made to improve the governance arrangements.

5.7 Capacity and Capability to Deliver under Financial Pressure

In order to address concerns raised about the capacity and capability of Customer & Shared Services, a similar improvement board approach to that implemented in Adult Social Care has been established for a number of work streams within the Directorate.

The Recovery Board oversees the delivery of the Programme and meets every six weeks to review progress. The Recovery Board is comprised of Corporate Management Team and is chaired by the Chief Executive. Additionally a Member Reference Group also reviews progress. This is comprised of the Deputy Leader, Portfolio Holder for Finance, People & Governance, Portfolio Holder for Customers, Systems & Assets and chaired by the Leader of the Council.

The Recovery Programme supports improvement across the core service areas of ICT, Human Resources, Finance (including Revenues & Benefits), Asset Management and Procurement. This will be achieved by:

- Delivering stable service solutions that are fit for purpose and that will enable Frontline Directorates to improve and develop their services, and indeed drive out the necessary efficiencies to balance their increasingly pressurised budgets.

- Addressing the issues identified by recent perception surveys and feedback from front line services.
- Providing a process to accelerate, prioritise and focus capacity on the critical recovery activities required to achieve the objectives above.

6.0 CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2010/11.

The Council proposes to take steps over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....
J JAMIESON
LEADER OF THE COUNCIL

.....
R CARR
CHIEF EXECUTIVE

Dated

Dated

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRAL
BEDFORDSHIRE COUNCIL**

TO BE INPUT IN SEPT 2011 FOLLOWING AUDIT COMPLETION

Signed by District Auditor

GLOSSARY

For the purpose of this Statement of Accounts, the following definitions have been adopted:

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts. The end of the accounting period is the balance sheet date.
Accounting Statements	The Council's Core Financial Statements and Supplementary Financial Statements.
Accrual	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
Appointed Auditors	These are the external auditors appointed by the Audit Commission. They may be from the Audit Commission's own operations directorate or from a major accountancy firm. The Council's current approved auditors are from the Audit Commission's own operations directorate.
Approved Institutions	Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.
Asset	An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.
Audit of Accounts	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
Balance Sheet	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
Budget	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
BVACOP	Best Value Accounting Code of Practice. The system of local authority accounting and reporting which reflects, in particular, the duty to secure and demonstrate 'best value' in the provision of services. BVACOP lays down the required content and presentation of costs of service activities.
Billing Authority	A local authority charged by statute with responsibility for the collection of and accounting for Council Tax and non-domestic rates (NDR; business rates). These in the main are district councils, and unitary authorities e.g. London boroughs.
Budget	A budget is a financial statement that expresses a council's service delivery plans and capital programmes in monetary terms. This normally covers the same period as the financial year but increasingly councils are preparing medium-term budgets covering 3 to 5 years.
Capital Expenditure	Expenditure to acquire or enhance fixed assets that will be used in providing services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including

	borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.
Capital Programme	The capital schemes the Council intends to carry out over a specified time period.
Capital Receipt	The proceeds from the disposal of land and other assets, as long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.
Cashflow Statement	A statement that summarises the inflows and outflows of cash within the Council's accounts.
CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
Collection Fund	A separate fund maintained by a billing authority that records the expenditure and income relating to council tax and non-domestic rates, including the amounts raised on behalf of Precepting Authorities.
Community Assets	Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings. The value of the assets in the Balance Sheet is usually nil.
Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Liability/Asset	<p>Contingent Liability: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.</p> <p>Contingent Asset: a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.</p>
Core Financial Statements	The main accounting statements of the Council comprising the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement. Together with the Supplementary Financial Statements comprise the Council's Accounting Statements.
Council Tax	This is one of the main sources of income to a local authority. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the billing authorities own General Fund.
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtor	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for

	which payments have been received by the end of that accounting period.
Depreciation	The measure of the cost of the benefits of a fixed asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
Estimates	Where definitive figures are not available/cannot be found, estimates are used to produce the statement of accounts. These estimates are based on the best information available at the time of production.
Estimate (budgets)	These are the amounts expected to be spent, or income expected to be received, during an accounting period. They are also referred to as budgets. The original estimate is the estimate for a financial year approved by the council before the start of the financial year; the revised estimate is an updated revision of the original estimate part-way during the financial year.
Events After Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.
Exceptional Items	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence so that the financial statements give a true and fair view.
Extraordinary Items	Material items possessing a high degree of abnormality which derive from events or transactions that fall outside the ordinary activities of an authority and which are not expected to recur.
Finance Lease	A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Financial Reporting Standard (FRS)	Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.
Financial Year	Period of time to which the Statement of Accounts relates. The financial year for Local Authorities runs from 1 April to 31 March.
Fixed Assets	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
Government Grants	Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.
Gross Expenditure	The total cost of providing the Council's services before taking into account income from fees and charges and government grants.
Housing Benefits	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account	A separate, statutory account inside the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the Council acting as landlord.
Impairment	This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value.
Income	This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and investment interest.
Income and Expenditure Account	An account which summarises resources generated and consumed in the provision of services for which the Council is responsible.
Infrastructure Assets	Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways) and for which a useful life span cannot be readily assessed.
Intangible Assets	These are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.
International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)	Full implementation of the use of International Accounting Standards under IFRS for Local Government Accounts was originally expected in 2009/10 but has now been deferred to 2010/11. The 2008 SORP incorporates recent changes to FRS17 – Accounting for Pension Costs, which bring it into line with IFRS by accounting for the fair value of some of the assets of the scheme and revising disclosure requirements. Other influences from International Accounting Standards such as reporting requirements and terminology used when accounting for financial instruments under UK GAAP were brought into use by the 2007 SORP.
Liability	A liability arises when the Council owes money to others and it must be included in financial statements.
Long Term Investments	These are investments intended to be held for use on a continuing basis in the activities of the authority. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.
Materiality	This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.
Minimum Revenue Provision	The minimum amount which must be charged to the revenue account each year for the repayment of borrowing.
National Non-Domestic Rate (NNDR)	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.
Non-Operational Assets	Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.
Operating Lease	A lease whereby the ownership of the fixed asset remains with the lessor.
Operational Assets	Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Post Balance Sheet Event	These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue.
Precept	The levy made by Precepting authorities on billing authorities. The major precepting authorities are County Councils and Police Authorities. Parish Councils also raise money by means of a precept on the relevant billing authority.
Prior Period Adjustments	These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
Provision	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.
Prudence	This is one of the main accounting concepts. It ensures that an organisation only includes income in its accounts if it is sure it will receive the money.
Prudential Code	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
Rateable Value	The annual assumed rental value of a property that is used for business purposes.
Related Parties	Two or more parties are related parties when at any time during the financial period:- <ul style="list-style-type: none"> • One party has direct or indirect control of the other party • The parties are subject to common control from the same source • One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests • The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests
Related Party Transactions	The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
Residual Value	This is the net realisable value of an asset at the end of its useful life.
Revaluation Reserve	An account containing any unrecognised gains or losses arising from the revaluation of fixed assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Income and Expenditure Account once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
Revenue Expenditure	The day to day expenses associate with the provision of services.

Revenue Expenditure funded from Capital under Statute (formerly Deferred Charges)	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example would be capital expenditure on improvement grants.
Revenue Support Grant	A grant paid by the Government to councils, contributing towards the costs of their services.
Statement of the Movement on the General Fund/Housing Revenue Account Balance	Reconciliation between the Income and Expenditure Account and the General Fund or Housing Revenue Account to show the effect of spending against Council Tax or Housing Rents raised.
Statement of Total Recognised Gains and Losses	A statement which brings together all the gains and losses of the Council in the year and shows the aggregate increase in its net worth. Together with notes to the accounts showing the movements on reserves, replaces the former Statement of Total Movement on Reserves.
Stocks and Work in Progress	These comprise of one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.
Supplementary Financial Statements	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
Temporary Investment	Money invested for a period of less than one year.
Trust Funds	Funds administered by the Council for such purposes as prizes, charities and specific projects usually as a result of individual legacies and donations.
UK GAAP	Accounting practices regarded as permissible the UK accounting profession that are grouped together under the term 'generally accepted accounting principles'.
Useful Life	This is the period over which an organisation will derive benefits from the use of a fixed asset.
Work in Progress	The value of works that has been completed or is partially complete at the end of the accounting period that should be included in the financial statements.

CONTACT DETAILS

Contact us...

If you have any questions on these Financial Statements or require further copies, please contact the Council as follows:

For the attention of:

Chief Finance Officer
Central Bedfordshire Council
Priory House
Monks Walk
Chicksands
Bedford
SG17 5TQ

by telephone: 0300 300 5106 (c/o Michael Millar, Interim Chief Accountant)

by email: maria.fuller@centralbedfordshire.gov.uk

For general enquiries of the Council please:

Phone: 0300 300 8000

Email: customer.services@centralbedfordshire.gov.uk

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

Go to the web: www.centralbedfordshire.gov.uk

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Pre statement memorandum

Central Bedfordshire Council

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Summary report

Introduction

- 1 Our audit is carried out in accordance with the Code of Practice for Local Authorities and the National Health Service in England and Wales. Our work is designed to give an opinion on your financial statements as to whether they present fairly the position of the Council as at 31 March 2011 and its income and expenditure for the year.
- 2 This report details our findings of our pre-statements work which covers our work on:
 - the documentation, walk through and controls testing of key financial systems;
 - IFRS (International Financial Reporting Standards) re statement; and
 - the VFM conclusion.
- 3 Appendix 1 is an Action Plan of recommendations to further improve the processes.

Main conclusions

Financial systems

- 4 We have documented the Council's material financial systems and identified the controls you have in place to detect material errors or misstatements. We have carried out walk-through tests to confirm the operation of the controls that have been identified.
- 5 In doing this work we have placed reliance on the work of Internal Audit (IA) in particular their work on the managed audits. IA plan their work on the Council's material systems to assist us. IA have issued limited assurance opinions on the Main Accounting, Payroll and Housing Benefit systems. Having completed our work we are in agreement with these findings.
- 6 Having evaluated the controls in place in the Payroll system and the findings from IA work a substantive approach to testing payroll expenditure will be adopted again this year.

International Financial Reporting Standards (IFRS) restatement

- 7 This is new requirement for 2010/11. The Council has to produce IFRS compliant accounts by 30 June 2011 and restate and disclose its opening balances as at 1 April 2009 and the closing balances at 31 March 2010.

8 The Audit Committee has received regular updates on the Council's progress in implementing IFRS. After falling behind in its preparations for IFRS during 2010 the Council has made good progress during 2011. We have reviewed and agreed the restated balance sheets for 1 April 2009 and 31 March 2010, together with the Comprehensive Income and Expenditure Statement for 2009/10. The restated accounts were reported to the Audit Committee in April 2011 as part of the Assistant Director of Finance's 2010/11 Annual Accounts Progress Report.

9 A number of new disclosure notes are required for 2010/11. These were being prepared at the time of our interim visit. We will review these notes as part of the audit of the statement of accounts.

Value for money (VFM) conclusion

10 We are required to give a Value for money (VFM) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. Our provisional conclusion, based on work completed to April 2011, is that the Council has proper arrangements to secure value for money. We will revisit this conclusion once the final outturn position for 2010/11 is known.

Detailed report

Documentation, walk through and controls testing of key financial systems

Audit Approach

11 In order to comply with the International Standard on Auditing (UK and Ireland) 315 we are required to document all systems which could result in a material figure in the accounts. We have identified and documented these systems and identified the controls you have in place to detect material errors or misstatements. We have carried out walk-through tests to confirm the operation of the controls that have been identified.

12 We placed reliance on any previous work we had carried out and the work of IA. IA plan their work on the Council's material systems to assist us in this and we are able to place reliance on their work.

13 We try and place reliance on controls testing as far as possible. We can only place reliance on controls if our documentation and walk through of the system confirms that the key controls are in place and operating satisfactorily.

14 This year we plan to place reliance on controls testing on the following systems.

- Main accounting system.
- Accounts Payable.
- Accounts Receivable.
- Fully Funded schools.

15 We had planned to carry out controls testing on the SWIFT system but our walkthrough identified that controls were not in place. SWIFT is the system in place for processing payments to the independent sector and foster carers.

16 We carry out an IT risk assessment each year to assess the IT control environment. The IT control environment underpins the control environment for the Council's financial and information systems and any weaknesses identified in the IT control environment may undermine the effectiveness of controls within the information systems that operate in that environment.

17 Our IT risk assessment concluded that the overall the IT environment at the Council is low risk. We did identify weaknesses in the Council's IT controls but concluded that there were sufficient compensating controls in place to reduce the risk of a material error in the accounts to low. The main weaknesses identified were as follows.

- There is no audit trail for direct amendments to the main financial system Oracle database; however access is restricted to the SAP admin team who do not process transactions. It would be hard to perpetrate a fraud without knowledge of the database table structure.
- There are a lot of network user IDs (some 500) belonging to people who have never logged on or not logged on for six months or more, however these people's password are locked.
- There is no monitoring of network to detect unauthorised access attempts, however the usual controls apply here eg lockout after three login attempts.

Main accounting system

18 IA issued a limited assurance opinion on the main accounting system, based on their phase 1 work, which was carried out in October 2010.

19 IA identified a number of weaknesses around the clearance of control and suspense accounts and the timeliness and review of some bank account reconciliations. The clearance of control and suspense accounts and the reconciliation of bank accounts has been prioritised by Finance officers. Good progress has been made since January 2011, in particular as part of the closedown programme for the preparation of the 2010/11 accounts.

20 We will be reviewing year end cash and bank reconciliations and the clearance of suspense and control accounts as part of our audit work on the statements of account.

21 We have completed controls testing on journals. We were able to rely on IA testing of 12 journals for the period April 2010 to September 2010. We tested a further eight to cover the whole of the financial year. All journals were appropriately authorised, agreed to backing documentation and confirmed correct.

Recommendation

R1 Ensure that controls in the main accounting system are operating throughout 2011/12, in particular the controls to provide assurance that:

- suspense and control accounts are reviewed and cleared regularly; and
- that bank reconciliations are reconciled on a timely basis and appropriately reviewed.

Payroll

22 IA issued a limited opinion on the Payroll system based on their Phase 1 work. IA found that some key controls had not been operating effectively in the payroll system for the whole of the financial year.

23 Having evaluated the controls in place and the findings from IA work we have concluded that there is a high risk of failures in controls testing. Therefore in order to gain sufficient assurance over the payroll expenditure in the accounts we will adopt a substantive testing approach again this year.

24 We are in the process of completing our substantive testing. We selected a sample of 46 employees from payroll records. We have completed the testing for 44 of the cases, one file had been archived and for one case we are waiting for a confirmation from the school where the employee is based. We will complete the testing of these two cases at our next audit visit. For the 44 files reviewed we are able to agree the gross pay, National Insurance (NI) and pension payments were correct in each case.

Recommendation

R2 Ensure that the weaknesses in payroll controls identified by IA are addressed to ensure that adequate controls are in place for 2011/12.

Accounts payable (AP)

25 Controls assurance for the main AP system was gained in 2009/10. We are able to carry forward this assurance to 2010/11 as our walk through this year has confirmed that the controls tested last year were found to be operating effectively in 2010/11. IA issued an adequate opinion on the AP system based on their Phase 1 work. We were able to place reliance on the work carried out by IA on the main AP system.

26 Within the AP system there are separate processes and controls in place for the following areas, all of which lead to material expenditure in the accounts.

- Carlisle - payments to contractors/temporary staff.
- Schools (centrally funded) - payments authorised by schools.
- Amey - payments to the Council's highways maintenance contractors.
- Waste disposal.
- Mouchel - payments to property management contractor.
- BUPA - payments in respect of care homes.

27 We have carried out the walk throughs for Carlisle, schools, and waste disposal. We have also completed controls testing and gained adequate assurance on payments made in respect of these areas.

28 We were unable to complete the walk through and controls testing for Amey, Mouchel and BUPA as the relevant officers were not available at the time of our pre statements work. We will complete this work at our next audit visit.

Accounts receivable (AR)

29 IA work on the AR system, confirmed through our re performance of the walk through, identified weaknesses in the operation of some key controls. These have been reported to management as part of IA's Phase 1 work.

30 Having evaluated the controls in place and the findings from IA work we have concluded that there were sufficient mitigating controls in place during 2010/11. Our testing has confirmed that the controls we are seeking to place reliance on are operating satisfactorily. We were able to place reliance on IA testing of these controls for the period April 2010 to September 2010. We tested the period October 2010 through to February 2011. Our work confirmed that the controls were operating satisfactorily.

31 We will need to test one more item and review year end reconciliations as part of our audit of the financial statements.

SWIFT

32 We completed the system documentation and walkthrough for the SWIFT system. The controls identified during the walkthrough were evaluated for each of the relevant assertions.

33 One of the key controls (Payment schedule generated and sent to provider, returned agreeing the client and amount paid, checked by Business Support Unit staff within Social Care, Health and Housing) was not operating on the walkthrough. The Business Support Unit (BSU) sends a four weekly payment schedule to the provider (ie care home) to agree the client details and to confirm the correct payment. This schedule had not been returned by the care home in the walk through. This control confirms whether the provider has provided care services to an approved client of the Council and the value paid is correct and is the only control which provides assurance covering the accuracy assertion. Therefore a substantive approach to the testing of SWIFT expenditure included in the Comprehensive Income and Expenditure Statement will be adopted for 2010/11.

Recommendation

R3 Ensure that payment schedules sent to providers are returned to BSU and any amendments made to SWIFT as appropriate.

Housing Benefit

34 IA issued a limited opinion on the Housing Benefit (HB) system based on their Phase 1 work. IA found that a number of controls had not been operating effectively. Our re performance of the walk through confirmed IA's findings.

35 We have not carried out controls testing. We will carry out a substantive analytical review and test year end reconciliations to gain adequate assurance over the figures included in the statements of account.

Recommendation

R4 Ensure that the weaknesses in the housing benefits controls identified by IA are addressed to ensure that adequate controls are in place for 2011/12.

Housing Rents

36 We have walked through the Housing rents system, placing reliance on the work carried out by IA. IA issued an adequate opinion on the Housing Rents system based on their Phase 1 work. Having evaluated the controls in place and the findings from IA work we have concluded that any weaknesses identified by IA are not likely to lead to a material misstatement.

37 We have not carried out controls testing and will be carrying out a substantive analytical review at year end to gain adequate assurance over the figures included in the statements of account.

Council Tax

38 We have walked through the Housing rents system, placing reliance on the work carried out by IA. IA issued an adequate opinion on the Council Tax system based on their Phase 1 work. Having evaluated the controls in place and the findings from IA work we have concluded that any weaknesses identified by IA are not likely to lead to a material misstatement.

39 We have not carried out controls testing as it is more efficient to carry out a substantive analytical review at year end to gain adequate assurance over the figures included in the statements of account.

NNDR

40 We have walked through the Housing rents system, placing reliance on the work carried out by IA. IA issued an adequate opinion on the NNDR system based on their Phase 1 work. Having evaluated the controls in place and the findings from IA work we have concluded that any weaknesses identified by IA are not likely to lead to a material misstatement.

41 We have not carried out controls testing as it is more efficient to carry out a substantive analytical review at year end to gain adequate assurance over the figures included in the statements of account.

Asset management

42 We have documented and walked through the Asset Management system. Having evaluated the controls in place we have not identified any risks that are likely to lead to a material misstatement

43 We have not carried out controls testing as it is more efficient to carry out a substantive testing at the year end.

Treasury management

44 We have walked through the Treasury Management system, placing reliance on the work carried out by IA. IA issued an adequate opinion on the Treasury Management system based on their Phase 1 work. Having evaluated the controls in place and the findings from IA work we have concluded that any weaknesses identified by IA are not likely to lead to a material misstatement

45 We have not carried out controls testing as it is more efficient to carry out a substantive testing at the year end.

Fully funded Schools

46 Fully funded schools are allocated budgets by the Council and submit monthly/ quarterly returns to the schools team, so they can journal these amounts into SAP. We have documented and walked through the system. The controls identified during the walkthrough were evaluated for each of the relevant assertions.

47 We have completed controls testing and gained adequate assurance on the payments made through this system.

IFRS

48 This is new requirement for 2010/11. The Council has to produce IFRS (International Financial Reporting Standards) compliant accounts by 30 June 2011 and restate its balances as at 1 April 2009 and 31 March 2010.

49 The requirements of International Financial Reporting Standard 12 (IFRIC 12) were included in the 2009/10 Statement of Recommended Practice (SORP). This required the Council to review and amend the accounting for its PFI scheme in the 2009/10 accounts. This was reviewed and reported on as part of the 2009/10 audit.

50 The most significant changes for the 2010/11 accounts arising from the move to IFRS are in respect of:

- Property, Plant and Equipment (formerly Fixed Assets);
- Leases;
- Employee benefits; and
- a number of additional disclosure requirements.

51 We were provided with IFRS restated accounts by the end of January 2011 together with reconciliations to support the changes from the accounts previously prepared under UK GAAP. The format of the revised statements was reviewed and agreed. In addition we have reviewed:

- the reconciliations between the balance sheets as at 1 April 2009 and 31 March 2010 prepared under UK GAAP and the restated balance sheets prepared under the IFRS Code. All material movements have been tested and agreed; and

- the reconciliation between the 2009/10 Income and Expenditure account prepared using UK GAAP and the adjusted Comprehensive Income and Expenditure statement for 2009/10 (prepared using IFRS). All material balances have been reviewed and agreed.

52 IFRS requires councils to recognise in their accounts the expected costs of compensated absences, such as annual leave, time off in lieu and flexi-leave. During our audit we noted that the Council had, initially, not taken account of the additional complications involved in calculating teachers' holiday pay accruals (teachers should receive one third of their salary each term, but the terms vary in length and have different numbers of working days). We have reviewed and agreed the revised accrual.

53 At the time of our pre statements visit the disclosure notes, including the notes to support the Cash Flow statement and the Movements on Reserves Statement were not complete. We expect to complete this work in June and will report on our findings in the Annual Governance Report.

Value for money conclusion

54 I am required to give a Value for money (VFM) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. This is based on two criteria, specified by the Commission, related to your arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

55 Our provisional conclusion based on work completed to April 2011 is that the Council has proper arrangements in place to meet the two specified criteria. We will revisit this conclusion once the final outturn position for 2010/11 is known and report our conclusion in the Annual Governance Report.

Appendix 1 Action plan

Recommendations

Recommendation 1

Ensure that controls in the main accounting system are operating throughout 2011/12, in particular the controls to provide assurance that:

- suspense and control accounts are reviewed and cleared regularly; and
- that bank reconciliations are reconciled on a timely basis and appropriately reviewed.

Responsibility

Priority

Date

Comments

Recommendation 2

Ensure that the weaknesses in payroll controls identified by IA are addressed to ensure that adequate controls are in place for 2011/12.

Responsibility

Priority

Date

Comments

Recommendation 3

Ensure that payment schedules sent to providers are returned to BSU and any amendments made to SWIFT as appropriate.

Responsibility

Priority

Date

Comments

Recommendation 4

Ensure that the weaknesses in the housing benefits controls identified by IA are addressed to ensure that adequate controls are in place for 2011/12.

Responsibility

Priority

Date

Comments

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0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



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Central Bedfordshire Council

2010/11 External Audit Plan – Position Statement at June 2011

Area of work	Work performed/to be performed	Status	Report due
<p>2010/11 Indicative Fee Letter</p>	<p>A letter will be sent to the Council setting out the indicative audit fee for 2010/11.</p> <p>The fee is will be based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11.</p> <p>More detailed planning documents for particular pieces of work will be issued during the year.</p>	<p>The fee letter has been issued to officers and the indicative fee was presented to the April 2010 Audit Committee meeting.</p> <p>The Audit Commission published the proposed work programme and scales of fees 2011/12 in December 2010. The Commission's proposals include rebates for 2010/11. The proposed rebates for 2010/11 are as follows:</p> <ul style="list-style-type: none"> • A rebate of 3.5 per cent of the 2010/11 scale fee for single tier councils. The 2010/11 scale fee for Central Bedfordshire was some £316,900 and on this basis the rebate would be some £11,090. • This rebate is in addition to the earlier rebate of 6 per cent of the 2010/11 scale fee that the Audit Commission made in respect of the additional audit costs arising from the transition to International Financial Reporting Standards (IFRS). This rebate was some £19,000 and paid in April 2010. • The Commission will also not charge inspection fees for work already carried out in 2010/11 on the managing performance element of the organisational assessment. This element was included at £18,293. 	<p>April 2010</p>

Area of work	Work performed/to be performed	Status	Report due
2010/11 Audit Plan	The Audit Plan will detail the risks identified, planned audit procedures and any changes in fee.	A detailed plan for the audit of the financial statements has been agreed with officers and was presented to the April 2011 Audit Committee.	April 2011
Final accounts	Audit of the Council's financial statements.	<p>The findings from our review of the Council's key financial systems are set out in the Pre Statements Memorandum which will be presented to the June 2011 Audit Committee.</p> <p>The detailed work on the statement of accounts will take place from July to September 2011.</p>	<p>Pre Statements Memorandum – June 2011</p> <p>Annual Governance Report – September 2011.</p> <p>Audit Opinion - September 2011.</p>
Value for money conclusion	<p>We will issue a conclusion on whether the Council has established proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p> <p>From 2010/11 auditors will give their statutory value for money (VFM) conclusion based on two criteria specified by the Commission, as follows:</p> <ul style="list-style-type: none"> - The organisation has proper arrangements in place for securing financial resilience - The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness, 	Our work on the value for money conclusion is largely complete. Our provisional conclusion based on work completed to April 2011 is that the Council has proper arrangements in place to meet the two specified criteria. We will revisit this conclusion once the final outturn position for 2010/11 is known and report our conclusion in the Annual Governance Report.	September 2011

Area of work	Work performed/to be performed	Status	Report due
Grant claims 2010/11	<p>Our work on grant claims is charged at published daily rates, the fee is not included within the audit plan as part of the overall audit fee.</p> <p>The time taken to audit grant claims depends on the quality of working papers, whether we can rely on underlying systems and the extent of work needed to meet the requirements of government departments.</p> <p>An estimate of £100,562 for grant claims work has been included in the fee letter.</p>	We will audit claims when they are made available to us.	We will issue a report when we have completed the audit of all relevant 2010/11 claims.
Annual Audit Letter 2010/11	Summary of conclusions and significant issues arising from our audit work.	We will draft the Annual Audit Letter after we have issued the audit opinion and VFM Conclusion.	Issue to all Members by 30 November 2011.

Area of work	Work performed/to be performed	Status	Report due
<p>2011/12 Indicative Fee Letter</p>	<p>A letter will be sent to the Council setting out the indicative audit fee for 2011/12.</p> <p>More detailed planning documents for particular pieces of work will be issued during the year.</p>	<p>The Audit Commission's proposed fee for 2011/12 is £308, 142.</p> <p>The 2011/12 fee reflects a reduction of 10% on the planned 2010/11 fee of £342,380. The Audit Commission has agreed, subject to affordability, to make additional rebates of up to £7.2 million (8%) in 2011/12.</p> <p>The indicative fee letter was issued to officers in April 2011 and will be reported to the June 2011 Audit Committee meeting.</p>	<p>April 2011</p>

Area of work	Work performed/to be performed	Status	Report due
<p>Piloting Simplify and Perfect in Housing Benefit services at Central Bedfordshire</p>	<p>The Advisory Services arm of the Audit Practice has developed a process improvement approach based on lean six sigma methodology to help the public sector in its drive for improved productivity - known as Simplify & Perfect.</p> <p>We are piloting this approach, at no cost, with Central Bedfordshire to improve its Housing Benefit service to people who report a change in circumstances.</p> <p>This aims are to identify a set of recommended options, owned by the team to apply and test in order to improve service outcomes. In addition to service improvements we aim to share learning and build capacity.</p>	<p>Two of the three stages have now been completed and the project is on schedule to conclude by the end of June.</p>	<p>The project will have concluded by the end of June 2011.</p>

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7 April 2011

Richard Carr
Chief Executive
Central Bedfordshire Council
Priory House
Monks Walk
Chicksands
SG17 5TQ

Direct line 0844 798 5811
Email paul-king@audit-commission.gov.uk

— Dear Richard

Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Central Bedfordshire Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- audit of financial statements
- Value for money conclusion
- Whole of Government accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

For 2011/12 the Audit Commission has set the scale fee for each audited body. This is a different approach to that in previous years where the scale fee has been made up of fixed and variable elements.

The 2011/12 scale fee is based on the planned 2010/11 fee, adjusted for the following proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing International Financial Reporting Standards (IFRS).

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The scale fee for Central Bedfordshire Council is £308,142 as set out in the table below. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee. At present I have not identified any such differences, but I will keep this under review.

In its *Work programme and scales of fees 2011/12: Consultation response, Local Government, housing and community safety* published in February 2011 the Audit Commission indicated that, subject to affordability, it would make additional rebates of up to £7.2 million in total in 2011/12. The document also indicated that the Audit Commission will notify audited bodies of the amount due to them in the summer.

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	£308,142	£342,380
Certification of claims and returns	£85,253	£100,562

The reduction in the estimate for certification of claims and returns reflects an assumption that we experience fewer issues with the Housing Benefit claim. We recognise that Improvement in Revenues and Benefits is a priority for the Council and part of the Recovery Plan for Customer and Shared Services. Therefore we would expect to see improvements in the accuracy of the claim in 2010/11 and 2011/ 12.

I will issue a separate audit plan in December 2011. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Customer and Shared Services. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;

- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Paul King District Auditor	paul-king@audit-commission.gov.uk 0844 798 5811	Paul is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Audit Committee and issuing the auditor's report.
Cathy O'Carroll Audit Manager	c-ocarroll@audit-commission.gov.uk 07967 624334	Cathy manages and coordinates the different elements of the audit work. Key point of contact for the Director of Customer and Shared Services.
Heather Rothwell-Trickett Team Leader	h-rothwell-trickett@audit-commission.gov.uk 07884 114003	Heather will lead the on-site team in delivering the audit.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely



Paul King
District Auditor

cc Richard Ellis, Director of Customer and Shared Services
David Bowater, Chair of the Audit Committee

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the audit committee.

Table 1

Planned output	Indicative date
Audit plan	December 2011
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Director of Customer and Shared Services)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

Meeting: Audit Committee
Date: 27 June 2011
Subject: Internal Audit Annual Audit Opinion
Report of: Director of Customer and Shared Services
Summary: This is the annual report of the Head of Internal Audit to those charged with governance on the overall adequacy and effectiveness of Central Bedfordshire Council's financial and other management internal controls.

Contact Officer: Kathy Riches , Head of Internal Audit
Public/Exempt: Public (with exempt appendices A and C)
Wards Affected: All
Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

The activities of Internal Audit are crucial to the governance arrangements of the organisation and as such are supporting all of the priorities of the Council.

Financial:

None directly from this report. However, sound systems assist in preventing loss of resources (by other wastage or fraud), thereby improving effectiveness and efficiency.

Legal:

None directly from this report.

Risk Management:

No risk management implications come directly from this report but the Audit Plan was produced using a risk based approach, following the completion of a detailed Audit Needs Assessment which took into account strategic and service area risks.

Staffing (including Trade Unions):

None directly from this report.

Equalities/Human Rights:

None directly from this report.

Community Safety:

None directly from this report.

Sustainability:

None directly from this report.

RECOMMENDATION:

That the Audit Committee note and comment on the contents of the report.

Background

1. The Accounts and Audit Regulations 2003 (as amended 2006) require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices. Proper practice is defined as the CIPFA Code of Practice for Internal Audit in Local Government 2006 (the Code). In accordance with the Code, the Head of Internal Audit is required to provide a written report to those charged with governance, timed to support the Annual Governance Statement, which should include an opinion on the overall adequacy and effectiveness of the Council's control environment.
2. This report:
 - Presents an opinion on the overall adequacy and effectiveness of Central Bedfordshire's internal control environment, along with any qualifications to that opinion
 - Summarises audit work undertaken from which that opinion is derived
 - Highlights significant issues identified as part of Internal Audit's work, including those that are particularly relevant to the Annual Governance Statement
 - Compares the Internal Audit work actually undertaken with the work that was planned and summarises the performance of the internal audit function against its performance measures and criteria.

Responsibilities

3. It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.

Internal Control Environment

4. The Code defines the control environment as comprising the Council's systems of governance, risk management and internal control.
5. In order to form an opinion on the overall adequacy and effectiveness of the control environment, the internal audit activity is planned to provide coverage of financial controls through review of the key financial systems, and internal controls through a range of operating activity both within directorates and cross cutting, using a risk based approach. The work undertaken by Internal Audit helps inform the Annual Governance Statement.

The Audit Methodology

6. Internal Audit complies with the CIPFA Code of Practice. There are documented Terms of Reference, as set out in the Internal Audit Charter, that specify the objectives and scope of Internal Audit. The Head of Internal Audit has undertaken a self assessment of compliance with the Code. In accordance with the requirements of the Accounts and Audit Regulations 2003 (as amended 2006) the Chair of the Audit Committee, supported by the Deputy Chairman, has carried out a review of the effectiveness of the System of Internal Audit. The scope of the review covered compliance with the CIPFA Code of Practice for Internal Audit 2006, and reporting on performance and outcomes to the Audit Committee.
7. The Internal Audit Strategy and Plan for 2010/11 was approved by the Audit Committee in April 2010.
8. The Internal Audit Plan identified the individual audit assignments. The activity was undertaken using a systematic risk based approach. The objectives for each activity were determined and risks in the processes that supported that activity were identified and set down in terms of reference that outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations necessary to provide sufficient evidence in forming an overall opinion on the adequacy of the internal control framework.
9. Internal Audit reports provide an overall conclusion on the control environment for each system reviewed. A summary of the conclusions for each audit is attached as Appendix A to this report. The definitions of each conclusion are attached as Appendix B.
10. To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager to perform quality reviews at four stages of the audit assignment: the audit brief (terms of reference), file review, draft report and final report stages. In addition, the Head of Internal Audit reviews all reports.
11. In addition to this annual report, the Audit Committee receive regular progress reports throughout the year.

The Internal Audit Team

12. During 2010/11 the Internal Audit Service was delivered by a team of suitably qualified auditors, supported by external contractors. Each member of the team undertakes a regular Performance Development Review (PDR) and participates in Continuing Professional Development (CPD) as appropriate.

Head of Internal Audit's Opinion on the System of Internal Control

13. The CIPFA Code of Practice on Internal Audit requires the Head of Internal Audit to provide an overall opinion on the adequacy and effectiveness of the Authority's internal control environment.

14. The Internal Audit work undertaken during the year has enabled Internal Audit to provide an objective assessment of whether systems and controls are operating effectively. In giving an audit opinion, however, it should be noted that assurance can never be absolute. However, the scope of the activity undertaken is sufficient for reasonable assurance to be placed on the work.
15. The Audit Commission, as the Council's external auditors, have reviewed the work undertaken by Internal Audit on the managed audits and have been able to place reliance on the work, and have been in agreement with the audit opinions given.
16. A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown at Appendix A of this report.
17.

The opinion on the Council's System of Internal Control is that overall it continues to be adequate. In general the key controls in place are adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.
--
18. This conclusion is based on the following:
 - A Code of Financial Governance is in place, and is incorporated within the Constitution.
 - Financial Procedures support the Code of Financial Governance.
 - A Financial Scheme of Management is in place.
 - Procedures and processes have been documented in a number of key areas.
 - Adequate controls were found to be in place in a number of areas.
 - Progress has been made, through the IT stabilisation project in addressing the IT weaknesses that were identified during 2009/10.
 - Progress has been made in addressing many of the high risk Internal Audit recommendations made.
19. It should be noted that most audits undertaken have resulted in reports identifying areas for improvement which have been well received by managers, and actions agreed to address weaknesses in control. The implementation of these actions is tracked by Internal Audit and the progress against the implementation of high recommendations is regularly reported to the Audit Committee.
20. In arriving at the opinion the following has been taken into account:
 - The results of the audits undertaken as part of the 2010/11 plan
 - The results of follow up action in respect of previous audits
 - Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.

21. The following key concerns were identified and these have been reflected in the Annual Governance Statement:
- Some key controls are not operating effectively in the payroll systems resulting in a limited assurance opinion. Controls in this area need to be strengthened. A comprehensive review of the payroll function is being carried out and the outcome and recommendations from that review will be reported to the Customer and Central Services Overview and Scrutiny Committee.
 - There was a lack of timely reconciliation of suspense, control accounts, bank accounts, and feeder systems for key financial systems during the year. A full reconciliation process was put in place for Quarter 3 2010/11 with a focus on clearing control, suspense and balance sheet reconciliations. This should be embedded in 2011/12.
 - A number of IT related concerns were identified, including disaster recovery, and access and security issues.
 - The Internal Audit review of shared services arrangements with Bedford Borough Council identified some control weaknesses and made recommendations designed to improve the control environment.

Delivery of the 2010/11 Internal Audit Plan

22. The operation of the key financial systems is a key part of the internal control environment. The table at Appendix A sets out the outcome of the reviews of these systems, and indicates whether the opinions are final or provisional, as some of the work is still ongoing. The opinions given during 2009/10 are included for comparison. The appendix also summarises other reviews undertaken during the year.
23. The reviews of the key financial systems (Managed Audits) help inform the Annual Governance Statement. From the review of 11 key systems for which an opinion has been determined, 7 were “adequate”, 4 were “limited” and none were “unsatisfactory”. Appendix A illustrates that the opinions given during 2010/11 remain as those for 2009/10. It should be noted that the opinion given reflects the controls in place across the whole year. Progress has been made in addressing audit recommendations made. If the control improvements are implemented this will be reflected in the audit opinions given in the future.
24. Audit work is not just limited to implementing the audit plan. Internal Audit is involved in other areas advising on systems development and using their skills to provide other general advice to service areas. Internal Audit has participated in the Purchasing Card project, providing advice on controls required, and also assisted in identifying risks within the Personalisation Programme. In addition, individual grant claims have been audited, where required.

National Fraud Initiative (NFI)

25. During 2010/11, we continued to complete work around the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes. Work is ongoing to investigate the resulting positive matches. Work includes matches around pension payments to registered deaths, matching payrolls between authorities, and other matches including UK visas, blue badges, private residential care and Housing Benefits.

26. One of the data set matches compares individuals claiming Single Person's Council Tax Discount against the Electoral Roll. A review has been undertaken by the Head of Revenues and Benefits and as at 31st March 2011, approximately £102,000 Single Person's Discounts had been cancelled, which benefits the Council tax collection fund. Work is ongoing and the final outcomes of this review will be reported to a future committee.
27. The Procurement Team has undertaken an exercise to identify duplicate payments made to suppliers since the inception of Central Bedfordshire Council. This is also one of the NFI data sets. The exercise has resulted in a net recovery to the Council in excess of £130,000. The exercise identified a processing accuracy of 99.97%. The reasons for the duplicate payments have been examined by Procurement and Internal Audit and, where appropriate, action has been taken to improve controls. Reasons for the duplicate payments include inconsistency in the supplier name, suppliers submitting duplicate invoices but with either different invoice numbers or dates, data input error and instances where the invoice was processed both by Central Bedfordshire Council and a legacy authority.
28. The Internal Audit team has also assisted other authorities undertake their NFI enquiries by providing information to support their investigations. During 2010/11, 4 requests for information were responded to.

Anti Fraud Work and Special Investigations

29. Internal Audit has undertaken work on four investigations during the year. Three are still ongoing. As soon as these are concluded, any significant control weaknesses or fraudulent activity will be presented to the committee. Appendix C contains a brief summary of the finalised review.
30. The Anti Fraud and Confidential Reporting policies have been promoted at Corporate Induction Events throughout the year. Numerous calls have been received on the Fraud Hotline. Many of the calls received have related to fraud in other organisations and the information has been forwarded appropriately. Some calls have related to allegations of Housing Benefit Fraud and these have been forwarded to the Benefits Team for investigation. One of the calls has resulted in an investigation by Internal Audit which is ongoing.

Schools

31. Audit visits have been undertaken at 15 schools. Final reports have been issued for 3 of these, 6 draft reports have been issued, and work is ongoing to finalise the other reports. The opinions given for the finalised reviews are set out at Appendix A.
32. Work on the Financial Management Standard in Schools (FMSiS) assessments is ongoing. Although the mandatory requirement to meet the standard was abolished in October 2010, most schools requested that the assessments in progress were completed. As at the end of March 104 schools had met the standard, and 19 reviews were in progress. 8 schools to date have decided not to be assessed.

Performance Management

33. The Internal Audit Charter approved by the Audit Committee in September 2010 requires Internal Audit to report its progress on some Key Performance Indicators (KPI). Procedures to measure the indicators have been introduced during the year. Performance will be closely monitored in future to identify areas for improvement. The table below also includes the previous year's indicators, for comparative purposes.

34. The indicators include both CBC audit activities and school activity.

35. **Activities for 1 April 2010 – 31 March 2011**

KPI	Definition	2010/11		2009/10	
		How we performed	Our target	How we performed	Our target
KPI01	Percentage of total audit days completed.	90%	80%	97%	80%
KPI02	Percentage of the number of planned reviews completed to final report stage.	67%	80%	51%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	59%	80%	50%	80%
KPI04	Time taken to draft reports: Percentage of reviews where the first final draft report was returned by auditee within 10 available working days of receipt of the report from the Auditor.	36%	80%	42%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	94%	80%	79%	80%
KPI06	Overall customer satisfaction.	85%	80%	85%	80%

36. **Analysis of indicators:**

KPI01 – During the year we delivered a total of 1,405 productive audit days against a total of 1,560 planned days for the year. This exceeds our target for the period.

KPI02 – This KPI measures final reports issued as at 31 March 2011, 67% of the planned reviews have been completed to final report stage. However, this excludes work on the second phase of the managed audits which was in progress as at 31st March. This forms a significant proportion of our work and was substantially completed as at 31 March 2011. Although the target for the year was not met, this represents an improvement on the performance in the previous year.

KPI03 – Only 59% of planned reviews have been completed within the planned time budgets. However this represents an improvement over the previous year. Internal Audit will continue to review processes to improve performance against this target.

KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During 2010/11, only 36% of draft reports were responded to within the target set. Internal Audit will continue to work with departments to encourage a prompt response.

KPI05 - This indicator measures the time taken by Internal Audit to issue the final report upon receipt of an agreed response from the auditee. During 2010/11 Internal Audit issued 94% of final reports on target, which represents an improvement over the previous year.

KPI06 - Of the 41 questionnaires sent out, 30 have been returned to date, giving a response rate of 73%. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 85%, which is consistent with the previous year.

Review of the Effectiveness of Internal audit and the Effectiveness of the Systems of Internal Control

Background (Accounts and Audit Regulations 2006)

37. All 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 Regulations. Assessments of the Effectiveness of Internal Audit and the Effectiveness of systems of internal control are two key aspects of the AGS. Central Bedfordshire Council has reviewed both systems for 2009/10 and the findings are incorporated into the Annual Audit opinion and subsequently into the AGS.

Review of the Effectiveness of Internal Audit.

38. As referred to in paragraph 6 above, a review of the Effectiveness of Internal Audit was undertaken by the Chair of the Audit Committee.

Review of the Effectiveness of the Systems of Internal Control

39. The Council's review of the effectiveness of the system of internal control is informed by:
- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports
 - the work undertaken by Internal Audit during the year
 - the work undertaken by the external auditor reported in their annual audit and inspection letter
 - other work undertaken by independent inspection bodies
39. The Head of Internal Audit has supported the Head of Legal Services (Monitoring Officer), Directors, Assistant Directors and Members to collect evidence required for the production of the AGS.
40. Directors have been requested to sign statements on the Effectiveness of Internal Control for 2010/11, confirming that during the year they were:
- Ensuring that there are arrangements in place for establishing Directorate objectives and compliance to corporate priorities;
 - Ensuring compliance to the Council's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations);
 - Ensuring arrangements for sound budgetary controls;
 - Effectively monitoring and managing performance;
 - Reporting to the appropriate Member Committees;
 - Responding promptly to internal & external audits & inspections;
 - Continuously managing business risks and service continuity arrangements.
41. The work undertaken by Internal Audit on the systems of internal control disclosed that generally they were effective during 2010/11. However, some areas of concern were identified and these are summarised in paragraph 21 above, and are reflected in the Annual Governance Statement.

Conclusion and Next Steps

42. The work undertaken by Internal Audit has enabled the team to advise management of some of the control weaknesses identified at an early stage, and make recommendations designed to enhance and strengthen controls and mitigate risks.
43. The internal control environment operated adequately during 2010/11, although some areas of concern identified in the AGS must be addressed at the earliest convenience.

Appendices: Appendix A – Summary of Internal Audit Activity 2010/11 - Exempt
Appendix B – Definition of Internal Audit Opinions- Public
Appendix C - Special Investigations finalised during year - Exempt

Background Papers: None
Location of papers: N/A

APPENDIX B

Audit Opinions

Full Assurance	Adequate Assurance	Limited Assurance	No Assurance
Good controls	Adequate controls	Limited controls	Inadequate controls
Low risk of not meeting objectives	Medium/Low risk of not meeting objectives	Medium risk of not meeting objectives	High risk of not meeting objectives
Low risk of fraud, negligence, loss, damage to reputation	Medium/Low risk of fraud, negligence, loss, damage to reputation	Medium risk of fraud, negligence, loss, damage to reputation	High risk of fraud, negligence, loss, damage to reputation
<i>Level of Assurance: High</i>	<i>Level of Assurance: Medium</i>	<i>Level of Assurance: Medium/Low</i>	<i>Level of Assurance: Low</i>

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Meeting: Audit Committee
Date: 27th June 2011
Subject: Tracking of Audit Recommendations
Report of: Director of Customer and Shared Services
Summary: This report summarises the high risk recommendations arising from Internal Audit reports and outlines how these will be monitored, tracked and reported to the Audit Committee.

Contact Officer: Kathy Riches, Head of Audit
Public/Exempt: Public (with Appendices 3 and 4 exempt)
Wards Affected: All
Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

An effective internal audit function will indirectly contribute to all of the Council's priorities.

Financial:

Although there are no financial risks from the issues identified in the report, the outcome of implementing audit recommendations is for the Council to enhance internal control, and better manage its risks, thereby increasing protection from adverse events.

Legal:

None arising directly from the report.

Risk Management:

None specifically. The Audit Plan was produced using a risk based approach, following the completion of a detailed Audit Needs Assessment which took into account strategic and service area risks.

Staffing (including Trades Unions):

None directly from this report.

Equalities/Human Rights:

None directly from this report.

Community Safety:

None directly from this report.

Sustainability:

None directly from this report.

RECOMMENDATION:

That the Audit Committee:

- 1. Note and comment on the updates as presented.**

Background

1. One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment.
2. To further strengthen the Audit Committee's role in monitoring the internal control environment within the Council, Internal Audit has developed a system for monitoring and reporting progress against high risk recommendations arising from internal audit inspections.
3. This paper represents the regular summary of high risk recommendations made to date, along with the progress made against implementation of those recommendations.

Tracking High Risk Recommendations

4. This report sets out the position as at the end of May 2011. In order to distinguish between recommendations made during 2010/11 and more recent recommendations, the tracking has been presented as two tables – one summarising the reports issued during 2010/11 and captured in previous monitoring reports to the Committee and the second table summarising reports containing high risk recommendations issued since the April 2011 Committee.

5. Appendix 1 provides detail of progress made to date in addressing high risk recommendations contained in reports issued during 2010/11 and previously reported to the Committee. The table below provides a summary by Directorate.

Table 1 – Summary of High Priority Recommendations Made and Included in tracking reports to the Audit Committee during 2010/11 and earlier

	Customer and Shared Services	Office of The Chief Executive	Children's Services	Sustainable Communities	Social Care Health and Housing	Total	%
No. of reports	15	1	1	2	1	20	
Recs:							
Completed GREEN	49	3	5	4	1	62	83
Ongoing-On schedule for completion within timescales GREEN	0	0	0	0	0	0	0
No work started Within target GREEN	0	0	0	0	0	0	0
Ongoing with deadline missed AMBER	12	0	0	1	0	13	17
No work started Deadline missed RED	0	0	0	0	0	0	0
Total Recs.	61	3	5	5	1	75	100

Although progress has been made on implementing the high risk recommendations, 17% are ongoing with target missed within the agreed timescales.

6. Appendix 3 provides details of the 13 high risk recommendations contained in Table 1 where implementation of the recommendation is running behind planned completion dates. In response to member feedback, the appendix includes the rationale behind the audit recommendation, the responsible officer and an explanation for the reason for the slippage.
7. A number of audit reports have been issued since the last tracking report was prepared for the Audit Committee. Appendix 2 sets out the reports issued since then that contain further high risk recommendations. The table below provides a summary by Directorate.

8. **Table 2- Summary of Additional High Priority Recommendations Made Since Last Audit Committee (April 2011)**

	Customer and Shared Services	Office of The Chief Executive	Children's Services	Sustainable Communities	Social Care Health and Housing	Total	%
No. of reports	6	0	1	0	1	8	
Recs:							
Completed GREEN	13	0	4	0	1	18	55
Ongoing-On schedule for completion within timescales GREEN	0	0	5	0	0	5	15
No work started Within target GREEN	0	0	0	0	0	0	0
Ongoing with deadline missed AMBER	5	0	5	0	0	10	30
No work started Deadline missed RED	0	0	0	0	0	0	0
Total Recs.	18	0	14	0	1	33	100

9. Appendix 4 provides the details of the 10 recommendations contained in Table 2 where implementation of the recommendation is running behind planned completion dates.
10. Wherever possible evidence has been obtained to support the implementation of recommendations. However, in some instances, verbal assurance has been obtained. Where this is the case, further evidence will be obtained to support the assurances given.
11. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the managed audit reviews.

Future Monitoring

12. Officers responsible for the implementation of recommendations will be contacted regularly to provide updates on progress made. Evidence will be required to support progress made. Where recommendations are ongoing these will continue to be monitored.
13. The Audit Committee, at its meeting on 4th April 2011, resolved that, following investigation by the Interim Assistant Director of Finance, any recommendations which have failed to be actioned by the agreed target date should be referred to the relevant overview and scrutiny committee in order that they may be considered and dealt with as matters of urgency and to enable any recommendation(s) to be made to the Executive. This report should assist with that investigation.

Conclusion

14. Internal Audit recommendations are designed to introduce new controls and procedures or to enhance and strengthen existing controls. This tracking report has demonstrated that action is being taken to implement these recommendations, thus improving the overall control environment.
15. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
16. This continuous tracking and reporting of progress on Internal Audit inspections to the Audit Committee will ensure that the Committee has the means to monitor how effectively the high risk recommendations have been implemented.

Appendices:

Appendix 1 – Details of monitoring of High Priority Internal Audit recommendations (2010/11)-(Public)

Appendix 2 - Details of monitoring of High Priority Internal Audit recommendations- Reports Issued since last Audit Committee (Public)

Appendix 3 - Details on those recommendations that are outstanding 2010/11 (Exempt).

Appendix 4 - Details on those recommendations that are outstanding – Reports issued since last Audit Committee (Exempt).

Background Papers:

None

Location of papers: N/A

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**Details of Monitoring of High Risk Internal Audit recommendations as at End May 2011
Reports issued during 2010/11 and earlier**

CUSTOMER AND SHARED SERVICES

Name	Date of Report	Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
Council Tax 2009-10	26/07/10	01/10/10	6	5	0	1	0	0	See R1
Accounts Receivable 2009-10	10/08/10	31/05/10	3	3	0	0	0	0	
Housing and Council Tax Benefits 2009-10	26/07/10	31/03/11	6	6	0	0	0	0	
Main Accounting System 2009-10	22/07/10	30/04/10	5	4	0	1	0	0	See R2
National Non Domestic Rates 2009-10	26/07/10	31/12/10	5	3	0	2	0	0	See R3-4
Payroll 2009-10	26/07/10	30/09/10	10	8	0	2	0	0	See R5-6
SWIFT Financials 2009-10	23/08/10	30/09/10	4	0	0	4	0	0	See R7-10
Treasury Management 2009-10	31/08/10	31/08/10	6	6	0	0	0	0	
Cash and Banking 2009-10	11/08/10	30/09/10	2	2	0	0	0	0	
ContactPoint 2009-10	29/04/10	31/05/10	3	3	0	0	0	0	
Hospitality and Gifts 2009-10	26/01/10	28/02/10	3	3	0	0	0	0	
Teachers Pensions'	20/08/10	30/03/11	2	1	0	1	0	0	See R11
SAP Access and Security (incl IT DTR0 2009/10	11/10/10	31/12/10	3	2	0	1	0	0	See R12
Asset Management 2009/10	19/10/10	31/12/10	2	2	0	0	0	0	
Accounts Receivable 2009-10	21/02/11	30/04/11	1	1	0	0	0	0	
Total			61	49	0	12	0	0	
				80%	0%	20%	0%	0%	

**Details of Monitoring of High Risk Internal Audit recommendations as at End May 2011
Reports issued during 2010/11 and earlier**

SUSTAINABLE COMMUNITIES

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
EEDA 2009-10	23/08/10	31/08/10	2	2	0	0	0	0	
Leighton Buzzard Theatre	18/11/10	30/12/10	3	2	0	1	0	0	See R13
Total			5	4	0	1	0	0	
				80%	0%	20%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End May 2011 Reports issued during 2010/11 and earlier

CHILDRENS' SERVICES

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
Youth Foster Care 2009-10	06/05/10	30/05/10	5	5	0	0	0	0	
Total			5	5	0	0	0	0	
				100%	0%	0%	0%	0%	

SOCIAL CARE, HEALTH AND HOUSING

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
Housing Rents - Arrears 2009-10	21/07/10	31/01/11	1	1	0	0	0	0	
Total			1	1	0	0	0	0	
				100%	0%	0%	0%	0%	

**Details of Monitoring of High Risk Internal Audit recommendations as at End May 2011
Reports issued during 2010/11 and earlier**

OFFICE OF THE CHIEF EXECUTIVE

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 3 ref
Data Quality Management 2009/10	22/10/10	30/04/11	3	3	0	0	0	0	
Total			1	1	0	0	0	0	
				100%	0%	0%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End May 2011 - Reports issued since April 2011 Audit Committee

CUSTOMER AND SHARED SERVICES

Name	Date of Report	Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
Housing and Council Tax Benefits 2010-11	07/06/11	31/07/11	4	2	0	2	0	0	See R1-2
Service Level Agreements	13/04/11	31/07/11	4	2	0	2	0	0	See R3-4
Accounts Receivable P1	21/02/11	30/04/11	1	1	0	0	0	0	
Main Accounting System 2010-11 Ph 1	10/03/11	31/03/11	2	2	0	0	0	0	
Payroll 201-11 Ph 1	11/03/10	30/09/10	6	6	0	0	0	0	
Accounts Payable 2010-11 Ph 1	11/03/11	30/04/11	1	0	0	1	0	0	See R5
Total			18	13	0	5	0	0	
				72%	0%	28%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End May 2011 - Reports issued since April 2011 Audit Committee

CHILDRENS' SERVICES

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
Bedfordshire Music Service	15/03/11	30/09/11	14	4	5	5	0	0	See R6-10
Total			14	4	5	5	0	0	
				28%	36%	36%	0%	0%	

SOCIAL CARE, HEALTH AND HOUSING

Name	Date of Report	Expected completion (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
Housing Rents - Arrears 2009-10	21/07/10	31/01/11	1	1	0	0	0	0	
Total			1	1	0	0	0	0	
				100%	0%	0%	0%	0%	

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