

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



please ask for Leslie Manning
direct line 0300 300 5132
date 15 September 2011

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 26 September 2011 9.30 a.m.

Venue at

Room 14, 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 27 June 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.
7	Annual Governance Report 2010/11 To receive the Audit Commission's report on the findings of the 2010/11 audit.	* 15 - 56

8 **Central Bedfordshire Council Statement of Accounts 2010/11** * 57 - 188

To consider for approval the Statement of Accounts for 2010/11, following its review by the Audit Commission, and the associated letter of representation from the Council to the Commission.

9 **Quarter 1 Risk Report** * 189 - 194

To receive a report setting out an overview of the Council's risk position at the end of Quarter 1.

10 **Internal Audit Progress Report** * 195 - 204

To receive an update on the progress of work by Internal Audit for 2011/12.

11 **Tracking of Audit Recommendations** * 205 - 228

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.

12 **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**

<i>Item</i>	<i>Subject</i>	<i>Exempt Para.</i>	<i>Page Nos.</i>
EX1	Internal Audit Progress Report - Exempt Appendix B	* 3	229 - 230

This Appendix provides a summary of those special investigations concluded since the last meeting.

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CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Monday, 27 June 2011

PRESENT

Cllr D Bowater (Chairman)
Cllr M C Blair (Vice-Chairman)

Cllrs L Birt
Mrs D B Green
D J Lawrence

Cllrs A Shadbolt
A Zerny

Members in Attendance: Cllrs M R Jones

Officers in Attendance:

Mr A King	Head of Financial Strategy
Mr L Manning	Committee Services Officer
Mr M Millar	Interim Chief Accountant
Ms K Riches	Head of Audit
Mr J Unsworth	Interim Assistant Director Financial Services
Mr C Warboys	Assistant Director Finance
Mr M Woolsey	Managing Solicitor Litigation, Regulation, Housing, Contracts, Employment and Environment

Others In Attendance:

Mr P King	Audit Commission
Mrs C O'Carroll	Audit Commission

A/11/1 **Minutes**

RESOLVED

that the Minutes of the meeting of the Audit Committee held on 4 April 2011 be confirmed and signed by the Chairman as a correct record.

A/11/2 **Members' Interests**

(a) **Personal Interests:-**

None.

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

None.

A/11/3 Chairman's Announcements and Communications

The Chairman reminded the meeting of the major difficulties which had arisen last year with regard to closing the Council's annual accounts for 2009/2010. He went on to state that, in contrast, the position this year appeared extremely positive with Central Bedfordshire Council being the first local authority within the local Audit Commission operational area ready to submit its International Financial Reporting Standards (IFRS) compliant 2010/11 Statement of Accounts for review. On behalf of the Committee the Chairman congratulated the officers for their efforts.

A/11/4 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/11/5 Questions, Statements or Deputations

In accordance with the Public Participation Procedure, as set out in Annex 1 of Part A4 of the Constitution, a member of the public made use of the opportunity to present a statement to the Committee containing reference to the following issues:

- the exclusion of the press and public prior to the consideration of exempt appendices to the Head of Audit's reports on the Internal Audit Annual Audit Opinion and the Tracking of Audit Recommendations on the Committee's agenda and the need for the public to have access to such information for evaluation purposes;
- the increase in the number of Council employees earning salaries between £50k to £150k between 2009/10 and 2010/11 and the justification for this;
- the involvement of some Members of the Council as suppliers of goods and services to the authority and issues regarding associated contracts, the tendering procedure and value for money. Reference to possible conflicts of interest, with specific reference to the Chairman's role as a governor of the South Essex Partnership Trust, was also raised.

A copy of the statement was circulated to all Members of the Committee and officers in attendance and the Chairman allowed time for the meeting to consider it. The Committee concurred with the Chairman's opinion that the part of the statement regarding the exclusion of the press and public should be noted and that the part of the statement regarding officer salaries was not a matter for the Audit Committee but for the Executive. This was confirmed by the Executive Member for Corporate Resources who stated that the matter should be referred to the Executive by the member of public for consideration. Last, and with regard to Member involvement in the supply of goods and services and, specifically, his own possible conflict of interest, the Chairman

replied that the South Essex Partnership Trust was a non-profit making body and he had been appointed as a governor of the Trust by the Council in order to be its representative. He explained that he reported back to the Council's Executive on Trust developments and assured the meeting that he experienced no conflict of interest in his role. The Committee concurred with the Chairman's opinion that this part of the statement should be noted.

A/11/6

Central Bedfordshire Statement of Accounts 2010/11

The Committee considered a report by the Director of Customer and Shared Services which presented the draft 2010/11 Statement of Accounts for Central Bedfordshire Council. The Committee was asked to note the content of the Accounts and approve their submission to the Audit Commission for review.

The Head of Financial Strategy advised the Committee that under the Accounts and Audit Regulations 2011 (SI No. 817) there was no longer a requirement for the draft accounts to be approved by Members by 30 June each year before they were submitted to the external auditor for validation. The new Regulations required that the external auditor first review the draft accounts and then Members give their approval to them when aware of the external auditor's findings. It was anticipated that approval would take place at the meeting of the Audit Committee on 26 September 2011.

The meeting noted that, as part of the external audit, the draft accounts would be made available to the public for inspection. The Head of Financial Strategy advised that the inspection dates had been slightly changed from those stated in the report and the period would now run between 18 July and 12 August 2011.

On an issue of clarification, and mindful that the Council's new Assistant Director of Finance had taken up his post that day, the Interim Assistant Director Financial Services advised that, for the purpose of approving the draft 2010/11 Statement of Accounts, he remained the Council's Section 151 Officer until 30 June 2011.

RESOLVED

that the content of the draft 2010/11 Statement of Accounts for Central Bedfordshire Council be noted and the Accounts be submitted to the Audit Commission, as the Council's external auditor, for review.

A/11/7

Pre-Statement Memorandum

The Committee received the Audit Commission's Pre-Statement Memorandum which set out the findings of the initial work that had been undertaken by the Commission on the Council's draft 2010/11 Statement of Accounts. The work was designed to give an opinion on the financial statements as to whether they were a fair representation of the Council's position as at 31 March 2011 and its income and expenditure for the year.

Additional information, in the form of a revised Appendix 1 to the report containing a completed Action Plan, was circulated at the meeting.

Members noted that the pre-statement work had covered the following areas:

- the documentation, walk-through and controls testing of key financial systems;
- the production of accounts compliant to International Financial Reporting Standards (IFRS) and the restatement of balances as at 1 April 2009 and 31 March 2010;
- a value for Money (VFM) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

The Audit Manager (Audit Commission) reported that, although concern had been expressed in the past on the Council's readiness to implement IFRS, the Council had made good progress during 2011 and only the external auditor's review of the disclosure notes remained outstanding. The notes would be reviewed as part of the audit of the Statement of Accounts.

The Audit Manager next stated that the Commission's provisional conclusion was that an unqualified VFM audit opinion would be issued for the Council though this position would be revisited once the final outturn position for 2010/11 was known.

In response to a Member's query the Audit Manager confirmed that the Council had made significant progress during January and February in its preparations for IFRS and was now fully up to date. The Head of Financial Strategy added that the volume of disclosure notes for the main financial statement was substantial though the key figures submitted within the restated core financial statement had already been approved by the Audit Commission.

NOTED

the Audit Commission's Pre-Statement Memorandum 2010/11.

A/11/8

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

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

NOTED

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

A/11/9

External Annual Audit Fee Letter 2011/12

The Committee received the Audit Commission's Annual Audit Fee letter for 2011/12. The District Auditor (Audit Commission) introduced the letter which outlined the audit work that the Commission proposed to carry out for the Council during the 2011/12 financial year and the fee to be charged.

The District Auditor drew Members' attention in particular to the changes in the method of calculating the scale fee and to the proposed decreases in the total audit fee. The meeting noted that the scale fee for the Council was £308,142 and that any variations from this figure would only occur if any significant differences arose in the District Auditor's assessments of audit risk and complexity from those identified and reflected in the 2010/11 fee figure.

Members also noted the Audit Commission's indication in February 2011 that, subject to affordability, it would make additional rebates of up to £7.2M in total during 2011/12. The District Auditor advised the Committee that audited bodies were due to be advised of the level of rebates they would receive during the summer. This had not yet occurred but he would update the Committee as soon as information became available.

The District Auditor next informed the meeting that the Department for Communities and Local Government had written to local authority chief executives stating that, beginning with the 2012/13 audit, the Commission's audit work could be outsourced through a process of competitive tendering. Additional information on this proposal was expected within the near future.

NOTED**the Audit Commission's Annual Audit Fee letter for 2011/12.**

A/11/10

Internal Audit Annual Audit Opinion

The Committee considered the annual report by the Director of Customer and Shared Services which presented an opinion on the overall adequacy and effectiveness of the Council's internal control environment together with any qualifications to that opinion, on which the opinion was based. In addition the report highlighted significant issues identified as part of Internal Audit's work including those that were particularly relevant to the Annual Governance Statement, a comparison of the Internal Audit work that had been planned against that which had actually been undertaken and a summary of the performance of the internal audit function against its performance measures and criteria.

For Members' benefit the Head of Audit highlighted aspects of the report for their attention.

With regard to performance management a Member commented on the progress made by Internal Audit on its Key Performance Indicators (KPIs) with particular reference to KPIs 01-04. He expressed concern that improvement

was either insufficient or performance had actually fallen for these Indicators. In connection with KPI04 he referred to the delay experienced as a result of auditees failing to return draft reports to Internal Audit in good time. He queried whether the auditees themselves were under too much pressure to respond quickly. The Head of Audit stated that this possibility had been acknowledged and that attempts were being undertaken to streamline the process.

A Member referred to the use of the Council's Fraud Hotline by town clerks. He also commented on the possibility of difficulties arising should more schools become independent of the Council as Academies, leaving the less financially efficient schools dependent on local authority assistance. In response the Head of Audit undertook to discuss the reference to the use of the Fraud Hotline by town clerks outside the meeting. She also commented that there was a mix of schools seeking to become Academies.

NOTED

the Internal Audit Annual Audit Opinion report.

A/11/11

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 May 2011.

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 May 2011.

A/11/12

Audit Committee - Evening Meetings

The Committee considered a request from a Member that some meetings of the Audit Committee be held in the evening. The Member had previously expressed concern regarding his ability to attend day-time meetings due to his work commitments.

In support of his request the Member stated that, by holding its committee meetings exclusively during the day, the Council was failing to achieve its aim of being inclusive. Day-time meetings denied full-time workers and those with child care and other commitments the opportunity to attend. He added that the two main areas of objection to providing evening meetings, employee costs and refreshment provision costs, could be met without excessive financial burden. He stated that employees could take time off in lieu and that the relatively small cost of providing food should be tolerated for the purpose of achieving accessibility.

However, in response other Members objected to the Member's request. It was stated that the Council's calendar of meetings had been published ahead of the recent local elections and the content had made clear to any potential candidates that election to the Council would necessitate attendance at day-time meetings. It was also commented that that there were only four meetings of the Audit Committee during each municipal year and this did not place a major barrier to attendance whether by Members or the public. Further, it was pointed out that many Members had evening commitments such as town and parish council meetings.

It was proposed by the Member that the Audit Committee hold one of its forthcoming meetings during the evening to establish the level of public attendance on a trial basis. However, the motion failed to be seconded and, therefore, fell.

A/11/13

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 Annual Audit Opinion report referred to in Minute 11/10 above;**
- (b) Appendix C to the Internal Audit Annual Audit Opinion report referred to in Minute 11/10 above;**
- (c) Appendix 3 to the Tracking of Audit Recommendations report referred to in Minute 11/11 above;**
- (d) Appendix 4 to the Tracking of Audit Recommendations report referred to in Minute 11/11 above.**

(Note: Immediately following the above resolution a member of the public objected to the exclusion of the press and public on the basis that only the Chairman, and not the Committee as a whole, had considered and responded to the statement he had submitted earlier in the meeting (minute 11/5 above refers). However, the Managing Solicitor Litigation, Regulation, Housing, Contracts, Employment and Environment stated that the Committee had considered the statement and its business had been conducted in a proper manner).

A/11/14 Internal Audit Annual Audit Opinion - Exempt Appendix A

The Committee considered the information contained within exempt Appendix A to Item 11 (Internal Audit Annual Audit Opinion). The Appendix contained a summary of Internal Audit activity during 2010/11.

Members raised several points with regard to the key issues arising from completed reviews on a range of topics.

With regard to Council Tax and NNDR processes the Interim Assistant Director Financial Services commented that whilst some weaknesses had been addressed further action was still required. He stated that he was willing to place more emphasis on dealing with any remaining systems control issues as these fell within his remit.

A Member referred to the review of the Bedfordshire Music Service and commented that both users and teachers had expressed dissatisfaction on the interim solution for service delivery. In response comment was made that the review had been finalised before disaggregation of the service and the Chairman suggested that the Member raise the issue of service delivery at the Children's Services Overview and Scrutiny Committee.

NOTED

exempt Appendix A to the Internal Audit Annual Audit Opinion report.

A/11/15 Internal Audit Annual Audit Opinion - Exempt Appendix C

The Committee considered the information contained within exempt Appendix C to Item 11 (Internal Audit Annual Audit Opinion). The Appendix set out the special investigations arising and completed in 2010/11.

NOTED

exempt Appendix C to the Internal Audit Annual Audit Opinion report.

A/11/16 Tracking of Audit Recommendations - Exempt Appendix 3

The Committee considered the information contained within exempt Appendix 3 to Item 12 (Tracking of Audit Recommendations). The Appendix detailed outstanding Internal Audit recommendations from 2010/11. The Head of Audit updated Members on the current situation with regard to some of the outstanding recommendations.

NOTED

exempt Appendix 3 to the Tracking of Audit Recommendations report.

A/11/17

Tracking of Audit Recommendations - Exempt Appendix 4

The Committee considered the information contained within exempt Appendix 4 to Item 12 (Tracking of Audit Recommendations). The Appendix detailed Internal Audit recommendations outstanding since the last meeting of the Audit Committee in April 2011.

The Head of Audit worked through the Appendix updating Members on developments and providing supplementary information where necessary.

NOTED

exempt Appendix 4 to the Tracking of Audit Recommendations report.

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.53 a.m.)

Chairman

Dated

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Annual governance report

Central Bedfordshire Council

Audit 2010/11



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Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

The audit is substantially complete. Subject to the satisfactory clearance of outstanding matters and the completion of my final review, I plan to issue an audit report including an unqualified opinion on the financial statements

The following key area of work had still to be completed at the time of writing this report (13 September 2011):

- Agreement of the proposed amendments to Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations'

The arrangements for the preparation and submission of the financial statements have improved significantly compared to last year. A complete set of accounts were submitted for audit by the due date of 30

June, supported by much improved working papers. This improvement was achieved in a year in which the requirements of International Financial Reporting Standards (IFRS) meant that the financial statements for 2010/11 were much more complex than last year. The audit process was helped by clear planning for the audit and the prompt response of officers to questions raised by the audit team.

My audit testing did not identify any material errors which would impact on the Council's reported financial position or the financial results for the year. The balance on the General Fund remains unchanged from that reported in the financial statements presented for audit on 30 June 2011. I did identify some material disclosure errors within notes to the accounts and a number of non material errors and uncertainties. Your officers have agreed to adjust the financial statements for all but 12 of the errors. These are detailed in Appendix 3. The financial effect of the amendments made is to reduce the net worth of the Council by £0.623m as at 31 March 2011. Subject to satisfactory completion of the remainder of the audit work, I expect to be able to issue an unqualified opinion.

Value for money

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Questions from a member of the public

A member of the public has asked questions about the Council's accounts. I am currently considering these questions in the context of

my responsibilities as the Council's appointed auditor and the appropriate response to these questions. At this stage I do not consider that they are likely to affect my opinion on the financial statements or my value for money conclusion, although they may affect the issue of the certificate of audit completion.

Before I complete my audit

I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. In planning my audit I identified a potential risk to independence due to a member of my staff having previously worked with the Council's Head of Audit. To reduce this potential risk to an acceptably low level I ensured that this member of staff was not allocated any work that reviewed Internal Audit in general or specific pieces of Internal Audit work.

During the year the Audit Commission's Audit Practice undertook non-audit work for the Council. The Council agreed to work with the Audit Commission to pilot its Simplify and Perfect approach in Housing Benefit Services. No fee was charged for this work. In addition a Final Accounts workshop was held at the request of Central Bedfordshire and Bedford Borough Councils. The fee charged for the joint workshop was £5600.

I ask you to confirm to me

I ask the audit committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (Appendix 6).

Financial statements

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

Errors in the financial statements

My audit seeks to ensure that the accounts are materially correct and present a true and fair view of the Council's state of affairs for the year ending 31 March 2011 and of the financial transactions of the Council in 2010/11. The concept of materiality is defined at Appendix 4. For the 2010/11 accounts I have set materiality at £6,990,000 for the financial statements as a whole and £10,737,000 for items in the balance sheet which have no impact on the revenue account. International Auditing Standards (IAS) require me set a threshold below which I judge any error to be "trivial" and do not ask for the accounts to be amended. For 2010/11 the triviality threshold is £69,000 for the financial statements as a whole and £107,000 for balance sheet items. Where I identify errors above this threshold, under IAS, I must request officers to amend the accounts. Where officers choose not to do so, and the Audit Committee agrees, I ask that the reasons for not adjusting the errors are set out in the letter of representation.

My audit testing did not identify any material errors which would impact on the Council's reported financial position. I did identify a number of material disclosure errors within notes to the accounts which have been amended. These amendments did not have any impact on the Comprehensive Income and Expenditure Statement (CIES) or balance sheet and are included in Appendix 2.

My audit testing also found a number of non-material errors and uncertainties. The more significant non-trivial errors and disclosure errors that have been amended are included in Appendix 2. In Appendix 3 I set out the 12 items that management have decided not to amend for. I would ask that you set out your agreement and reasons for not amending in your letter of representation.

Where I have concluded that an error found as part of my sample testing is something likely to be found across the population as a whole I am required to assess the potential scale of the error or uncertainty, based on the sample testing I have carried out. This is called an extrapolation. Whilst extrapolation is a statistically-based way to estimate the most likely error in the population as a whole, it is only an estimate. The only way to determine the actual level of error present in the population would be to test every single item in the population, which would not be practical or efficient, nor possible.

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings

Key audit risk

1. International Financial Reporting Standards (IFRS)

This is new requirement for 2010/11. The Council had to produce IFRS compliant accounts by 30 June 2011 and restate its opening balances as at 31 March 2009 and 31 March 2010.

Finding

After falling behind in its preparations for IFRS during 2010 the Council made significant progress in early 2011. The restated accounts were reported to the Audit Committee in April 2011. I 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 and reported my findings in the Pre statements memorandum to the Audit Committee in April 2011.

IFRS required a number of new disclosure notes to be included in the 2010/11 financial statements. I have reviewed these notes as part of my audit of the statement of accounts. The financial statements submitted for audit did not include a note setting out the material differences between the amounts presented in the 2009/10 accounts (as prepared under the SORP) and the amounts for 2010/11 (prepared on an IFRS basis) as required by the Code of Practice on Local Authority Accounting. The relevant note has now been included in the amended financial statements.

Key audit risk	Finding
<p>2. Valuation and impairment</p> <p>Valuation issues resulted in a material amendment to the accounts in 2009/10. Impairment is a material accounting estimate</p>	<p>I have reviewed the valuations and impairments included in the 2010/11 accounts. There are no issues that I need to report to you.</p>
<p>3. Interim appointments</p> <p>The Section 151 officer and Chief Accountant are both interim appointments.</p>	<p>A permanent S151 has been appointed and took up his post on 1st July 2011. The District Auditor and Audit Manager have had monthly meetings with the interim s151 officer and latterly also with his permanent replacement to monitor progress with the closure of the accounts and discuss potential risks to the audit.</p> <p>The interim Chief Accountant leaves at the end of September 2011. A replacement post has been advertised.</p>
<p>4. Controls weaknesses</p> <p>We reported in our Pre statements Memorandum that IA had issued limited assurance opinions on the Main Accounting, Payroll and Housing Benefit systems. Having completed our work we were in agreement with these findings.</p> <p>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.</p>	<p>I adopted a substantive approach to testing payroll expenditure. I tested 46 payments made through the payroll system. I found no errors or issues that we need to report to you.</p> <p>I also adopted a substantive approach to the testing of expenditure made through the SWIFT system. I found no errors and there are no issues that I need to report to you.</p> <p>I have reviewed year end cash and bank reconciliations as part of my audit of the statement of accounts. My testing found some non trivial errors, which have not been amended, and are included in Appendix 3.</p> <p>I have carried out sufficient work on the Housing Benefit claim to enable me to conclude that the income and expenditure included in the statement of accounts in respect of housing benefits is not materially misstated.</p>

Key audit risk

Finding

5. Housing Benefit claim

The audit of the Council's 2009/10 housing benefits and council tax claim resulted in a detailed qualification report. We expect to have to carry out additional work on this claim as we reported to the Department of Works and Pensions (DWP) that there were a number of cells where we were unable to reach a conclusion or quantify the error. The DWP is likely to require us to complete further work to reach an opinion on these cells. We will carry out additional audit work as required by the DWP. This will result in additional fees in respect of grant claim work.

The DWP have requested that both the Council, and my team, carry out additional work on some of the issues raised in the 2009/10 qualification report. The DWP require a response by 30th November 2011. I have estimated that the additional work will cost some £4000, as reported in my Certification of Claims Report in April 2011. The fee for this work has been included in the estimate for 2009/10 claims of work of £90,000 as reported in the financial statements.

Financial statements

Significant weaknesses in internal control

As noted above, Internal Audit (IA) issued limited assurance opinions on the Main Accounting, Payroll and Housing Benefit systems for 2010/11. My work on the Council's system for processing payments to the independent sector and foster carers, SWIFT, found that one of the key controls we sought to place reliance on was not in place. I have repeated the recommendations made in my Pre statements Memorandum, reported to you in June 2011, below.

My work on the audit of the Teachers Pensions claim found that one of the controls to ensure that payments made to the Teachers Pension Authority are correct is not always carried out. The value of the error was not material (£5,547) but the key issue is that the control was not operating.

These weaknesses are only those I identified during the course of the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

Internal control issues and our findings

Description of weakness

1. Main accounting system

IA issued a limited assurance opinion on the main accounting system. IA identified a number of weaknesses around the clearance of control and suspense accounts and the timeliness and review of some bank account reconciliations.

Potential effect

Income and expenditure is not coded to the appropriate accounts on a timely basis.

Management action

The clearance of control and suspense accounts and the reconciliation of bank accounts have 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.

2. Payroll

IA issued a limited opinion on the Payroll system. IA found that some key controls had not been operating effectively in the payroll system for the whole of the financial year.

Payroll expenditure in the financial statements could be misstated.

Recovery work is being undertaken to respond to the Internal Audit findings within Finance and Human Resources in line with the action plan drawn up in response to Internal Audit recommendations

Description of weakness	Potential effect	Management action
<p>3. SWIFT We had planned to carry out controls testing on the SWIFT system but our walkthrough identified that one of the key controls we sought to place reliance on was not in place.</p>	<p>Payments made through the SWIFT system to the independent sector and foster carers could be misstated.</p>	<p>The Council has recognised the controls with the SWIFT system and the interfaces to SAP need to be strengthened. As a result and included within the Adult Social Care Recovery Programme, a specific project 'RP203 Integrated Financial and Business Processes' has been established to address the weaknesses. The project is in progress and due to go live in October 2011.</p>
<p>4. Housing Benefit IA issued a limited opinion on the Housing Benefit (HB) system. IA found that a number of controls had not been operating effectively.</p>	<p>Housing benefit entitlement may be calculated incorrectly.</p>	<p>A plan has been developed and is being implemented to respond to the Internal Audit findings and actions agreed to implement the recommendations during this financial year.</p>
<p>5. Authorisation of payments made in to the Teachers Pensions Authority (TPA) My work on the audit of the Teachers Pensions claim found that for one of the twelve monthly payments made by the Council to the TPA, the authorising officers had approved an incorrect payment. The CHAPS payment form, which was authorised, did not agree to the supporting payroll reports. The amount was not material (£5547) but the key issue is that the control was not operating.</p>	<p>Incorrect payment may be made to the Teachers Pensions Authority.</p>	<p>The procedures in relation to completion of the Teachers' Pension contributions claim are subject to ongoing review between all parties concerned. The cause of the error has been identified and measures agreed to avoid further recurrences.</p>

Recommendation

R1 Within the overall operations of controls in the main accounting system throughout 2011/12 ensure that in particular the following operate effectively:

- the controls to provide assurance the Council's suspense and control accounts are reviewed and cleared regularly, and
- that bank reconciliations are reconciled on a timely basis and appropriately reviewed

R2 Ensure that the weaknesses in payroll controls identified by IA are addressed to ensure that adequate controls are in place for 2011/12

R3 Ensure that payment schedules sent to providers are returned to BSU and any amendments made to SWIFT as appropriate

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.

R5 Ensure that officers are reminded of the importance of agreeing payments to supporting documentation prior to authorisation.

Financial statements

Quality of your financial statements

The arrangements for the preparation and submission of the financial statements have improved significantly from last year. A complete set of accounts were submitted for audit by the due date of 30 June. The draft financial statements were made available to audit prior to the 30 June 2011. The quality of the working papers provided to support the financial statements was significantly better than in 2009/10. The audit process was helped by clear planning for the audit and the prompt response of the Chief Accountant and other members of the finance team to questions raised by the audit team.

The requirements of International Financial Reporting Standards meant that the financial statements for 2010/11 were more complex than last year, and a number of additional disclosure notes were required.

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. I identified some areas for improvement and these are set out below.

Accounting practices, policies, estimates and financial disclosures

Issue	Findings and recommendations
1. Debtors and Creditors	<p>The analyses provided of the debtors and creditors balances in the Balance Sheet had improved significantly from last year's audit. However, the working papers to support the individual items tested were not always adequate. Errors found in the initial samples selected for testing meant that additional testing was carried out to provide adequate assurance.</p> <p>The financial statements submitted for audit included £11.118m of creditors due to Bedford BC and £9.803m debtors due from Bedford BC. These figures were significantly different to the equivalent amounts included in the Bedford BC financial statements; £6.545m due to Central Bedfordshire and £16.454m due from Central Bedfordshire. An exercise was carried out by officers to reconcile the amounts disclosed in both sets of accounts. As a result the following errors were found in Central Bedfordshire's accounts:</p>

Issue	Findings and recommendations
	<ul style="list-style-type: none"> ■ both the debtors and creditors balances in respect of Bedford BC were understated by £1.7m. This adjustment did not change the net financial position between the two authorities. ■ £3.5m of debtors originally recorded as due from Bedford BC were in fact due from other parties. Note 18 has been amended to reflect the change in classification of these debtors. This is an amendment to a disclosure note and did not change the debtors balance in the balance sheet. <p>The reconciliation also includes £2.5m in respect of invoices issued by Bedford BC but which are disputed by Central Bedfordshire.</p> <p>As a result of this exercise differences remain of £0.211m in respect of payments due to Bedford BC and £1.283m in respect of payments due from Bedford BC. These differences are reported in Appendix 3 as uncorrected.</p>
<p>2. Financial statement disclosure</p>	<p>I identified a number of presentational and internal consistency issues for which the Council has adjusted. I have also made a number of recommendations to ensure that the disclosures made are sufficient to ensure compliance with the Code of Practice on Local Authority Accounting and International Financial Reporting Standards. I have not listed all of the amendments made; the more significant amendments have been set out in this table and Appendix 2.</p>
<p>3. Accounting policies</p>	<p>A small number of amendments to the wording of some of the Council’s accounting policies, as disclosed in the financial statements, have been agreed with officers.</p>
<p>4. Explanatory Foreword</p>	<p>Amendments have been made to the wording of the Explanatory Foreword to ensure that its content was consistent with the guidance as set out in the Code of Practice.</p>
<p>5. Note on IFRS Restatement</p>	<p>The financial statements submitted for audit did not include a note setting out the material differences between the amounts presented in the 2009/10 accounts (as per SORP) and the amounts for 2010/11 (IFRS based) as required by the Code of Practice on Local Authority Accounting. The relevant note has now been included in the amended financial statements.</p>
<p>6. Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations</p>	<p>Note 7 included an “other adjustments” line for both 2009/10 and 2010/11. The amounts included in this line were £7.985m for 2009/10 and £2.883m for 2010/11. The entries in both</p>
<p>Audit Commission</p>	<p>Annual governance report</p>

Issue	Findings and recommendations
	<p>cases should be nil. I received an amended Note 7 on 13th September and at the time of writing this report I am in the process of agreeing the proposed amendments. In the amended Note 7 the amounts in the “other adjustments” line have reduced to (£0.594m) for 2009/10 and £0.535m for 2010/11. The proposed amendments will not affect the CIES or balance sheet. I have included these unreconciled differences in Appendix 3.</p>
<p>7. Note 28 Segmental Reporting</p>	<p>This is a new note required under IFRS. A number of amendments to this note have been made, the most significant of which are reported in Appendix 2.</p>
<p>8. Note 38 Grant Income</p>	<p>There have been a number of amendments to this note as follows:</p> <ul style="list-style-type: none"> ■ A reduction of £3.331m in income from “other grants”, this was a disclosure error and was not due to an overstatement of grant income in the Comprehensive Income and Expenditure Statement. ■ £0.330m has been moved from Standards Fund grant income to “other”. ■ The £24.440m of non – service government related grants included a number of grants which individually are >£1m and should be disclosed separately.
<p>9. Note 48 Contingent Liabilities</p>	<p>An additional disclosure has been added in respect of an EEDA grant paid to the former Bedfordshire County Council which may have to be repaid to EEDA’s successor body. There is a potential liability of £100,000 - £400,000 which will be shared between the Council and Bedford BC. The Council was informed of this liability after the accounts had been submitted for audit.</p>
<p>10. Note 40 Government grants and other contributions</p>	<p>Evidence could not be provided to confirm the value of the Community Safety Partnership Grant income of £0.028m received in 2010/11 or that the income had been spent in accordance with any grant conditions. This grant is part of the total Area Based Grant received by the Council.</p>

Recommendation

- R6** Ensure that responsible officers are reminded of the importance of maintaining adequate evidence to support the debtors and creditors included in the accounts.
 - R7** Reconcile the “other adjustments” line in Note 7.
 - R8** Ensure that supporting documentation is retained to evidence the different elements of the Area Based Grant received and to confirm that income has been spent in accordance with any conditions attached to the grant.
-

Financial statements

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 5 contains a draft letter of representation.

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money criteria and our findings

Criterion	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Council has proper arrangements in place to secure financial resilience.</p> <p>Members and the Corporate Management Team (CMT) understand the financial challenges that face the Council. The Medium Term Financial Plan (MTFP) has been updated to reflect the changing national/government financial situation.</p> <p>CMT provide constructive scrutiny and challenge on financial matters. There is also evidence of improved Member challenge as part of the 2011/12 budget setting process.</p> <p>There is an Audit Committee in place which provides effective challenge.</p> <p>Budget pressures are discussed on a regular basis at CMT, EIG (Efficiencies Implementation Group) and the Executive. Key cost drivers are used to inform forecasts and target corrective action. These drivers identify some of the budgets that have a significant impact on the forecast outcome and variances.</p> <p>The Council was successful in achieving the £12m of efficiency savings included in the</p>

Criterion	Findings
<p>2. Securing economy efficiency and effectiveness The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>2010/11 budget. The year end position was a surplus of £0.328m. The surplus has remained unchanged from that reported in the financial statements submitted for audit on 30 June 2011.</p> <p>The Council has a positive track record in delivering savings. The 2009/10 budget was included efficiency savings of £10m. The 2010/11 budget included £12m of savings and efficiencies together with further in year savings of £1.5m in response to Area Based Grant reductions.</p> <p>The Council can demonstrate that resources are prioritised on areas of need, for example Adult Social care remains a key strategic priority for the Council and has seen improvements in service.</p> <p>Efficiencies are driven from the Efficiencies Implementation Group (EIG) which meets monthly. Set up in 2009, the EIG's aim was to achieve the £12m of savings needed to have a balanced budget in 2010/11. The EIG reports quarterly to CMT using a traffic light summary of progress against; the Organisation Plan, Efficiencies, Invest to Save projects, Corporate Improvement and Efficiency Initiatives.</p>

Appendix 1 – Draft audit report

Independent auditor's report to the Members of Central Bedfordshire Council

Opinion on the Authority accounting statements

I have audited the accounting statements of Central Bedfordshire Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Central Bedfordshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Central Bedfordshire Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Central Bedfordshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Central Bedfordshire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King
Officer of the Audit Commission

Audit Commission,
3rd Floor,
Eastbrook,
Shaftesbury Road,
Cambridge CB2 8BF

September 2011

Appendix 2 – Amendments to the draft financial statements

I identified a total of 30 misstatements during my audit for which management have adjusted the financial statements. Of the 30 misstatements, 15 resulted in amendments to the content of disclosure notes, 6 related to debtors, 3 to creditors, 3 to the Property Plan and Equipment balance, 1 to the PFI scheme, 1 to the HRA and the Cash Flow statement was amended. The financial effect of the amendments made is to reduce the net worth of the Council by £0.623m (from £710,601m to £709,978m) as at 31 March 2011. I have included in this Appendix the more significant non-trivial errors; I bring them to your attention to aid you in fulfilling your governance responsibilities.

Adjusted misstatement	Nature of adjustment	Comprehensive income and expenditure statement	Balance sheet
		Dr £000s	Cr £000s
1. Note 40 Capital Expenditure and Capital Financing (material amendment)	Note 40 has been amended to agree with the balance sheet and the Capital Financing Requirement recalculated.		
There was a material difference between the balance sheet and the figures reported in Note 40 in respect of the use of capital receipts in 2009/10 and 2010/11.	This has also had an impact (not material) on the calculation of the Minimum Revenue Provision (MRP). See Appendix 3.	Cr £000s	Cr £000s

	Comprehensive income and expenditure statement	Balance sheet
<p>Note 40 reported capital receipts applied in year as £18.132m for 2009/10 and £13.184m for 2010/11. However, the balance sheet reported nil use of capital receipts in 2009/10 and the use of £29.836m in 2010/11.</p>		
<p>2. Note 12 Property, plant and equipment PPE (material amendment)</p> <p>Capital commitments:</p> <ul style="list-style-type: none"> evidence could not be provided to support the £7.772m commitment disclosed in respect of the NHS Campus closure. the commitment in respect of Roecroft School of £3.171m was overstated by £0.324m 	<p>Note 12 amended</p> <ul style="list-style-type: none"> NHS Campus closure £7.772m removed Roecroft school commitment reduced to £2.847m. <p>This is a disclosure issue and did not have an impact on the CIES or balance sheet.</p>	
<p>3. Amounts due from and to Bedford Borough Council</p> <p>An exercise was carried out by officers to reconcile the amounts disclosed in the Central Bedfordshire and Bedford BC accounts. It found that both the debtors and creditors balances in respect of Bedford BC were understated by £1.7m.</p> <p>In addition £3.5m of creditors originally recorded as due from Bedford BC were in fact due from other parties.</p>	<p>Debtors and creditors both understated by £1.7m.</p> <p>This is a disclosure issue and did not have an impact on the CIES or balance sheet.</p>	<p>Cr Creditors £1.7m</p> <p>Dr Debtors £1.7m</p>

Balance sheet	Comprehensive income and expenditure statement	
		<p>As a result of this exercise differences remain of £0.211m in respect of payments due to Bedford BC and £1.283m in respect of payments due from Bedford BC. These are reported in Appendix 3 as uncorrected.</p>
		<p>4. Note 5 Material items of Income and Expense (material amendment)</p> <p>Material items in respect of the social housing factor and the credit to the Pension Fund had not been reported in this note.</p> <p>This note has been amended to include:</p> <ul style="list-style-type: none"> ■ the impairment impact of the reduction in the social housing factor for HRA (some £40m) , and ■ the Pension Fund credit, in respect of the negative past service cost, resulting from the move from RPI to CPI (£62.7m). <p>This is a disclosure issue and did not have an impact on the CIES or balance sheet.</p>
		<p>5. Note 28 Segmental Reporting (material amendment)</p> <p>The table in this note which sets out the "Comparison of net expenditure to budget as reported to management" has been amended. Employee costs were understated by £62m, this error was partly offset by another error of some £20m due to incorrect inclusion of payrolls run by SERCO on behalf of schools for which expenditure had</p> <p>This note has been amended to include the correct employee costs. The error was in one, of four, department's figures.</p> <p>This is a disclosure issue and did not have an impact on the CIES or balance sheet.</p>

	Comprehensive income and expenditure statement	Balance sheet
<p>been accounted for elsewhere.</p>		
<p>6. Note 35 Officer Remuneration The note did not include officers employed on interim contracts. In my view it would be good practice to disclose these payments on the basis of transparency.</p>	<p>The Council has agreed to amend this note to include officers employed by the Council on interim contracts. This is a disclosure issue and did not have an impact on the CIES or balance sheet.</p>	
<p>7. Housing Revenue Account (HRA) Note 2 (material amendment) The value of assets at 1 April 2010 of £339.593m was the value at 31 March 2010 and did not reflect the change in valuation resulting from the application of the Social Housing Adjustment Factor, as set by DCLG.</p>	<p>The Note has been amended. The value of HRA operational assets has been amended to £299.123m. This is a disclosure issue and did not have an impact on the HRA Income and Statement or the Council's balance sheet.</p>	

Appendix 3 – Unadjusted misstatements to the financial statements

I identified the following misstatements during my audit, including uncorrected misstatements from earlier years, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Unadjusted misstatement	Nature of required adjustment	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s

1. Capital financing - MRP

The amendment to Note 40 and the calculation of the CFR has had an impact on the calculation of the Minimum Revenue Provision (MRP). Officers have recalculated the MRP and the revised figure is £5.361m,

The MRP is potentially overstated by £0.209m.

Balance sheet

Comprehensive income and expenditure statement

some £0.209m less than the MRP originally provided for of £5.570m.			
2. Amounts due from and to Bedford Borough Council			CR Debtors £1.283m
As noted in Appendix 2 an exercise was carried out by officers to reconcile the amounts disclosed in the Central Bedfordshire accounts compared with the Bedford BC accounts. As a result of this exercise differences remain between the two sets of accounts as follows: £0.211m in respect of payments due to Bedford BC and £1.283m in respect of payments due to Central Bedfordshire from Bedford BC.	Debtors overstated by £1.283m Creditors understated by £0.211m Income overstated by £1.494m	Dr Income £1.494m	CR Creditors £0.211m
3. Collection Fund Adjustment Account (CFAA)			
The deficit as at 31 March 2010 of £0.786m (includes opening balance at 1/4/2009 of £0.037m) was not included in the CFAA but remained in the debtors balance for 2009/10. Corrections have been made in 2010/11 and the balance of the Collection Fund Adjustment Account as at 31 March 2011 is correct. The comparatives for 2009/10 have not been amended and include the above	09/10 Debtors overstated by £0.786m 09/10 CFAA balance understated by £0.786m 09/10 CIES income overstated by £0.749m.	Dr 09/10 Council Tax income £0.749m	Dr 09/10 CFAA £0.786m Cr 09/10 Debtors £0.786m

Balance sheet	Comprehensive income and expenditure statement	
error.		
4. Pension Fund		
<p>The auditor of the Bedfordshire Pension Fund has reported an increase in the valuation of the fund between the date the fund was valued by the actuary, December 2010 and the balance sheet date of 31 March 2011. This results in an estimated understatement of £4.173m in the pension fund's assets as at 31 March 2011, as disclosed in Note 46.</p>		<p>The Liability Related to Defined Benefit Pension Scheme and the Pension Reserve, as disclosed in the Balance Sheet of £197.182m, are therefore both understated by £4.173m.</p> <p>The Council's financial statements were prepared on a reasonable basis using the information available from the Actuary at the time.</p>
Dr Pension Reserve £4.173m		Cr Liability to Defined Benefit Pension Scheme £4.173m
5. Note 30 Trading Operations		
<p>The surpluses on the Building Control function have been added to the General Fund. ,</p>	<p>Dr Building control income £0.226m</p>	<p>Cr Usable reserves £0.226m</p>
6. Cut off testing		
<p>Evidence could not be found to support one of the items in our cut off testing, value £0.003m. The papers provided to CBC are in dispute with the originator with regards to the balance and CBC maintains that the correct figure is included in the accounts.</p>	<p>Dr Building control income £0.1m</p>	<p>Cr Debtors £0.1m</p>

	Comprehensive income and expenditure statement	Balance sheet
<p>7. Debtors</p> <p>The Housing benefit grant claim provided for audit shows a lower amount due from the DWP than the estimate used in the accounts.</p>	<p>Debtor due from the DWP in respect of Housing Benefit subsidy is overstated by £0.328m.</p> <p>Housing Benefit grant income as disclosed in Note 38 is overstated by £0.328m.</p>	<p>Cr Debtors £0.328m</p>
<p>8. NNDR</p> <p>The NNDR 3 claim has been audited and amendments agreed, As a result of the amendments agreed to the claim the payment to the national pool is now £68.175m some £0.714m less than the Collection Fund figure of £68.889m. This means that:</p> <ul style="list-style-type: none"> the debtor is overstated by this amount. the contribution to the national pool is overstated by £0.714m. 	<p>The NNDR debtor is overstated by £0.714m.</p> <p>The payment to the national pool in the Collection Fund and the Collection Fund deficit are both overstated by £0.714m</p> <p>The Council's accounts were prepared on a reasonable basis using the information available in respect of this claim at the time.</p>	<p>Cr NNDR income £0.714m</p> <p>Collection Fund Statement</p> <p>Cr Payment to national pool £0.714m</p> <p>Cr Debtors £0.714m</p> <p>Cr CFFA £0.714m</p>
<p>9. Cash and bank</p> <p>Items totalling £0.156m are included on the bank statement but not processed in the cash book as at 31 March 2011 as follows.</p> <ul style="list-style-type: none"> P11D pay over on 19 July 2010 of £31,685. This was cleared from the bank reconciliation to the 	<p>Dr CIES expenditure £0.032m</p> <p>Expenditure understated by £0.032m and cash book overstated.</p>	<p>Dr Short term creditors £0.104m</p> <p>Dr VAT holding account £0.015m</p> <p>Cr Cash and cash equivalents £0.150m</p>

creditor (vendor) account in 12 May 2011. Expenditure understated by £0.032m and cash book overstated.

- Various Southern Electricity Direct Debits had not been processed as the department had not coded the transactions. An accrual for £0.104m was processed between expenditure and sundry creditors. As these amounts had already been paid, creditors have been overstated. .

Creditors overstated by £0.104m and cash book overstated.

- This left an unallocated balance of £0.015m in respect of VAT on the bank account which should have been shown within the VAT holding account.

VAT control account understated by £0.015m and cash book overstated.

The remaining balance of £0.006m was not tested.

10. Property Plan and Equipment (PPE)

Cr PPE £2.229m

PPE balance overstated in the balance sheet by £8,445. The extrapolated uncertainty is £2.229m.

My testing of fixed assets in 2009/10 found that "call recording system hardware" valued at £8,445 was no longer in use. This asset is still in the Fixed Asset Register therefore the extrapolated uncertainty reported in 2009/10 is still relevant. Our audit approach requires me to extrapolate

	Comprehensive income and expenditure statement	Balance sheet
<p>the impact of the items I was unable to test</p> <p>It has been agreed that this asset will be written out in 2011/12.</p>		
<p>11. Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations</p> <p>The amended note includes an "other adjustments" line for both 2009/10 and 2010/11. The amounts included in this line are (£0.594m) for 2009/10 and £0.535m for 2010/11.</p>	<p>The entries in both cases should be nil. The differences relate to items that have gone through the Capital Adjustment Account but the corresponding entries in the either the General Fund or HRA have not been identified for the purposes of this reconciliation.</p>	
<p>12. Disclosure notes</p> <p>1 April 2009 balances for items such as debtors and creditors have been omitted from the relevant disclosure notes.</p>	<p>Disclosure notes should include 1 April 2009 balances.</p>	

Appendix 4 – Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the

addressees of the auditor's report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects'.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;

- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

Appendix 5 – Draft Letter of Representation

To:

Paul King
District Auditor
Audit Commission,
3rd Floor,
Eastbrook,
Shaftesbury Road,
Cambridge CB2 8BF

Central Bedfordshire Council - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Central Bedfordshire Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom and International Financial Reporting Standards, which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

- reason 1
- reason 2 etc;

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Specific representations There are no material onerous contracts that should be provided for under FRS12 other than those which have been properly recorded and disclosed in the financial statements.

I confirm that the Council did not enter in to any financial guarantees during the year.

Related party transactions

I confirm that I have disclosed the identity of Central Bedfordshire Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Central Bedfordshire Council

I confirm that the this letter has been discussed and agreed by the Council on 26 September 2011.

Signed

Name

Position

Date

Appendix 6 – Action Plan

Recommendations

Recommendation 1

Within the overall operations of controls in the main accounting system throughout 2011/12 ensure that in particular the following operate effectively:

- the controls to provide assurance the Council's 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

Recommendations

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

Recommendation 5

Ensure that officers are reminded of the importance of agreeing payments to supporting documentation prior to authorisation.

Responsibility

Priority

Date

Comments

Recommendation 6

Ensure that responsible officers are reminded of the importance of maintaining adequate evidence to support the debtors and creditors included in the accounts.

Responsibility

Priority

Date

Comments

Recommendations

Recommendation 7

Reconcile the “other adjustments” line in Note 7.

Responsibility

Priority

Date

Comments

Recommendation 8

Ensure that supporting documentation is retained to evidence the different elements of the Area Based Grant received and to confirm that income has been spent in accordance with any conditions attached to the grant.

Responsibility

Priority

Date

Comments

If you require a copy of this document in an alternative format or in a language other than English, please call:
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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September 2011

Meeting: Audit Committee
Date: 26 September 2011
Subject: 2010/11 Statement of Accounts
Report of: Charles Warboys – Chief Finance Officer
Summary: The report presents the 2010/11 Statement of Accounts for Central Bedfordshire Council. The annual accounts document is attached at Appendix A to the report.

Advising Officer: Charles Warboys – Chief Finance Officer
Contact Officer: Adrian King – Head of Financial Strategy
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

Not applicable.

Financial:

The annual accounts reports the financial position of the authority at the end of the financial year and are prepared under the International Financial Reporting Standards.

Legal:

The Accounts and Audit Regulation 2011 states that the authority is required to provide approved annual accounts by 30 September following the end of the financial year.

Risk Management:

Not Applicable.

Staffing (including Trades Unions):

Not Applicable.

Equalities/Human Rights:

Not Applicable.

Community Safety:

Not Applicable.

Sustainability:

Not Applicable.

Procurement:

Not applicable.

RECOMMENDATIONS:

That the Committee:

- 1. approves the 2010/11 Statement of Accounts; and**
- 2. approves the 2010/11 Letter of Representation.**

Background

1. The annual accounts must be published with the audit opinion and certificate no later than 30 September following the end of the financial year. In advance of this the accounts must have been approved by Members. Approval of the accounts is therefore required at the September 2011 Audit Committee. The full set of annual accounts is attached at Appendix A.
2. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve draft letter of representation to the Audit Commission attached at Appendix B.

Statement of Accounts 2010/11

3. The Assistant Director – Finance, as required by the Accounts and Audit Regulations, certified the 2010/11 annual accounts on 30 June 2011. This certified version of the accounts was presented to the June Audit Committee for noting. The Public Inspection of the accounts was also undertaken and this was concluded on 12 August 2011.
4. The Statement of Accounts was subject to external audit validation in accordance with the requirements of the Audit Commission. The audit of the accounts was undertaken during July, August and September 2011. The Annual Governance Report has been issued by the Audit Commission and is being considered separately by the September Audit Committee. The Annual Governance Report will outline any major adjustments to the original version of the accounts.
5. As required by the Accounts and Audit Regulations 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 required at the September 2011 Audit Committee.

6. 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.
7. The Statement of Accounts has been produced in accordance with statutory requirements including the requirements of the International Financial Reporting Standards (IFRS).

Letter of Representation

8. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve draft letter of representation to the Audit Commission attached at Appendix B. This sets out details of the unadjusted misstatements and provides details on the reasons for non-correction of these items.

Conclusion and Next Steps

9. Following approval, in accordance with the Accounts and Audit Regulations 2011, the Council will publish its annual accounts and provide a public notice of the conclusion of the audit of accounts by the Audit Commission.

Appendices:

Appendix A – 2010/11 Statement of Accounts
Appendix B – 2010/11 Letter of Representation

Background Papers: (open to public inspection)

None

Location of background papers:

N/A

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Central Bedfordshire Council
www.centralbedfordshire.gov.uk



APPENDIX A

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 – Charles Warboys 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.

During 2010 the government announced significant cuts to the Council's funding, which lead to the Council pro-actively reviewing its services and budgets. The Council's 2011/12 budget incorporated savings totalling £19m. The Medium Term Financial Strategy (MTFS) approved at the Executive for the period 2011/15 estimates a further £12.3m of efficiencies/savings will need to be realised during 2012/15. During this difficult and challenging economic period, the Council has within this financial year been able to increase its reserves as follows: £1.5m on earmarked funds and £0.3m on General Fund. Further, £12m of efficiencies were achieved during the year with further £19.6m planned in 2011/12. Whilst significant write offs have been made in year in respect to local taxation, collection rates continue to be strong and improve with 97.6% for council tax and 98.3% for NNDR for 2010/11.

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.

Charles Warboys
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 97), 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 25), which states the main principles used to compile the Council's accounts.

c) **The Movement in Reserves Statement** (page 17), 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 19), 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 21), 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 23), 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 89), 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 94), 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). These movements are analysed in Note 28 to the accounts.

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

<u>Directorate</u>	<u>Approved Budget</u> £000	<u>Outturn including transfers to/from reserves</u> £000	<u>Variance</u> £000
Social Care, Health and Housing	50,976	50,569	(407)
Children's 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. Contributions to earmarked reserves (excluding schools) equated to £1.7m.

Social Care, Health and Housing

The full year outturn position for 2010/11 is an under spend of £0.4m, after the use of reserves. 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 over spend of £0.6m, after the use of reserves. 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 amounts 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 revenue 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 (£0.4m)
- Staff cost pressures particularly in the revenues and benefits team to address backlogs and increased demands, with claims up 12% in the year (£1.0m)
- Income levels have proved difficult to achieve in Assets due to recessionary pressures and accommodation costs have increased where costs had previously been capitalised (£1.7m)
- People, staffing pressures due to the loss of unbudgeted transitional funding (£0.5m)

Office of the Chief Executive

The outturn, after the use of reserves, is an under spend of £0.2m due to underspends on staff costs and lower residency survey costs.

Corporate Costs

There were no material variances recorded in Corporate Costs.

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 £9.2m 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 2010/11 gross expenditure budget was £81.160m with external funding (grants and contributions) of £50.443m. The net outturn position for the year totalled £21.556m for 2010/11 (£24.448m for 2009/10) an under-spend of £1.356m. This is analysed across the services as follows;

	Gross Expenditure	External Funding	Revised Full Year Budget	Actual net Spend	Variance
Directorate	£000	£000	£000	£000	£000
Social Care, Health and Housing	11,011	(8,449)	2,562	1,842	(720)
Children's services	21,602	(18,110)	3,492	1,433	(2,059)
Sustainable Communities	32,747	(22,311)	10,436	7,271	(3,165)
Customer and Shared Services	9,366	(1,573)	7,793	4,784	(3,009)
Office of the Chief Executive	260	0	260	55	(205)
Sub Total	74,986	(50,443)	24,543	15,385	(9,158)
Housing Revenue Account	6,174	0	6,174	6,171	(3)
Total	81,160	(50,443)	30,717	21,556	(9,161)

There were no major / material asset acquisitions in 2010/11.

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.

The Council applied the following resources to fund its 2010/11 capital programme:

- Capital Receipts- £13.2m
- Government grants and contributions- £24.7m
- Direct revenue funding- £1.5m
- Minimum revenue provision- £6.3m

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 £45.6m 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
Externally Managed Lime fund	4,602
	45,602

8. Defined Benefit Pension Scheme:

The Council's share of 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.

In the UK Budget Statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

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

9. 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 Children's 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.

10. 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. The HRA is set at a nil net budget as income from housing rentals funds the related expenditure.

11. 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.

12. Provisions:

The Council holds £3.9m of provisions as at 31st March 2011. Details of the provisions are set out in note 22 of the accounts. The most significant provision maintained by the Council is the Insurance provision as recommended by the Council's advisers. The Insurance Provision which includes liabilities managed on behalf of Bedfordshire Borough Council, stood at £3.3m as at 31st March 2011.

13. Material charges / Credits:

The Comprehensive Income and Expenditure Statement include a £63m credit within the Non-Distributed Costs line. This is in respect of negative Past Service Costs related to the Council.

IMPACT OF ADOPTING THE CIPFA IFRS CODE

The tables below compare the original published Council Balance Sheet and Income and Expenditure statements under SORP accounting policies with the re-stated statements under the Council's new IFRS accounting policies, at 31st March 2009 and 31st March 2010.

The tables demonstrate material (over £1m) impacts as follows:

- Income and expenditure;
 - Under the IFRS Code, income and expenditure received and paid with respect to Investment properties should be disclosed under "Financing and Investment" section of the Comprehensive Income and Expenditure Statement. Previously these were included in the "Culture, Environment, Regulation and Planning Services" line under "Service analysis". This has meant adjustments of £2.2m income and £1.1m expenditure for 2009/10.
 - The "Childrens' and Education Services" adjustment of £1.7m reflects the short term accumulated compensating absence costs (see below for a detailed explanation) for staff and particularly teachers within that service.
 - "Interest payable on PFI" under IFRS is now shown separate from general "Interest Payable" line. This is a £1.3m transfer within the Comprehensive Income and Expenditure Statement.
 - Under the Code, movements in the value of "Investment Properties" are shown in the Comprehensive Income and Expenditure Statement as "Financing and Investment Income". Previously changes in value were credited to the "Revaluation Reserve" as appropriate. This has meant an adjustment of £8.4m, of set by £0.5m re-stated losses, for 2009/10.
- Balance sheet;
 - "Other Land and Buildings", under IFRS, have a wider definition, coupled with the narrower definition for "Investment Properties", this has meant adjustments of £1.6m and £1.7m from "Investment Properties" to "Other Land and Buildings" were necessary, as at 31/03/2009 and 31/03/2010 respectively.
 - "Surplus assets", under IFRS, have a wider definition, coupled with the narrower definition for "Investment Properties", this has meant adjustments of £2.1m and £1.7m from "Investment Properties" to "Surplus Assets" were necessary, as at 31/03/2009 and 31/03/2010 respectively.
 - The narrower definition on "Investment Properties" under SORP has meant £3.7m being reclassified to "Other land and buildings" (£1.6m) and "Surplus Assets" (£2.1m), as at 31/03/2009. Then £3.8m being reclassified to "Other land and buildings" (£1.7m), "Surplus Assets" (£1.8m) and "assets held for sale" (£0.3m), as at 31/03/2009.

- “Short term investments” under SORP were considered to be any investment maturing within 1 year of Balance Sheet date. Under IFRS principles the Council can set a timescale by which “Short Term Investments” can be considered cash equivalents. The Council set this timeframe as one month from balance sheet date and meant £21.2m and £nil of “Short Term Investments” were reclassified as “Cash Equivalents”, as at 31/03/2009 and 31/03/2010 respectively.
- General “Provisions” under SORP were held as “Long Term Liabilities”, under IFRS there is now a requirement to split the various provision to short (to be used within a year of balance sheet date) and long (to be used over 1 year after balance sheet date) liabilities. This has meant 31/03/2009 “Provisions” of £7.1m being split £3.5m long and £3.6m short term, and then 31/03/2010 “Provisions” split £3.1m long and £5.7m short term.
- “Short term accumulated compensating absences” refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay (annual/flexi leave). Services are charges their proportion of the cost, with the amounts transferred to the “Accumulated Absences Adjustment Account” (Reserve) until the benefits are used. This has lead to the creation, under IFRS, of £6m and £8m balances as at 31/03/2009 and 31/03/2010 respectively.
- Under IFRS items classified as “Government Grants Deferred” and “Other Grants and Contributions Deferred” are reclassified under the “Capital Adjustment Account”. This has meant £77.3m and £82.0m adjustments being made as at 31/03/2009 and 31/03/2010 respectively.
- Due to the reduction in Investment Properties, requisite values for these reclassified items are removed from the Revaluation Reserve to the Capital Adjustment account. This has meant £18.5m and £27.0m adjustments being made as at 31/03/2009 and 31/03/2010 respectively.
- Requisite contra entries to the above, within the “Capital Adjustment Account”, are £95.9m as at 31/03/2009 (“Deferred Grants” £77.3m and “Revaluation Reserve” £18.5m) and £109.0m as at 31/03/2010 (“Deferred Grants” £82m and “Revaluation Reserve” £26.9m).

The overall impact is an increase in net worth of the Council at 31st March 2009 and 31st March 2010 of £71.3m and £74.0m respectively.

Income and Expenditure Statement:

	Before IFRS	Before IFRS	Before IFRS	Impact	Impact	Impact	After IFRS	After IFRS	After IFRS
	2009/10	2009/10	2009/10	-	-	-	2009/10	2009/10	2009/10
	Gross exp.	Gross inc.	Net exp.	Gross exp.	Gross inc.	Net exp.	Gross exp.	Gross inc.	Net exp.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Analysis:									
Central Services to the Public	69,238	(67,036)	2,202	0	0	0	69,238	(67,036)	2,202
Court Services	702	(409)	293	0	0	0	702	(409)	293
Culture, Env, Reg and Planning Services	58,248	(15,522)	42,726	(2,181)	2,189	8	56,067	(13,333)	42,734
Children's and Education Services	323,321	(268,728)	54,593	1,748	0	1,748	325,069	(268,728)	56,341
Highways & Transport Services	22,826	(3,364)	19,462	(2)	0	(2)	22,824	(3,364)	19,460
Council Housing (HRA)	40,469	(26,091)	14,378	0	0	0	40,469	(26,091)	14,378
Other Housing Services	9,243	(3,306)	5,937	0	0	0	9,243	(3,306)	5,937
Adult Social Care	85,810	(29,960)	55,850	68	0	68	85,878	(29,960)	55,918
Corporate and Democratic Core	4,472	(2,205)	2,267	77	0	77	4,549	(2,205)	2,344
Non-Distributed Costs	13,257	(2,819)	10,438	20	0	20	13,277	(2,819)	10,458
Cost of Services- Continuing Operations	627,586	(419,440)	208,146	(270)	2,189	1,919	627,316	(417,251)	210,065
Other Operating Expenditure:									
Payments of precepts to Parishes			8,133			0			8,133
Levies payable			0			653			653
Payments to Housing Capital Receipts Govt Pool			(828)			0			(828)
(Gain)/Loss on Disposal of Fixed Assets- non current			29,614			0			29,614
			36,919			653			37,572
Financing and Investment I&E:									
Interest payable on debt			8,346			(1,318)			7,028
Interest element of finance leases (lessee)			0			2			2
Interest payable on PFI unitary payments			0			1,318			1,318
Pension interest costs			29,350			0			29,350
Expected return on pension assets			(16,235)			0			(16,235)
Interest and Investment Income			(2,084)			0			(2,084)
Changes in fair value of investment properties			0			(7,907)			(7,907)
Rentals received on investment properties			0			(2,189)			(2,189)
Expenses incurred on investment properties			0			1,066			1,066
			19,377			(9,027)			10,350
Surplus/Deficit of Discontinued Operations			0			0			0
Taxation and Non-Specific Grant Income:									
Council tax			(129,901)			0			(129,901)
NNDR			(40,146)			0			(40,146)
RSG and non-ring fenced govt grants			(9,267)			1			(9,267)
Recognised capital grants and contributions			(11,601)			0			(11,601)
			(190,915)			1			(190,914)
(Surplus)/Deficit on Provision of Services			73,527			(6,455)			67,073

Balance Sheet:

	Before IFRS 01/04/2009	Impact	After IFRS 01/04/2009	Before IFRS 31/03/2010	Impact	After IFRS 31/03/2010
	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment:						
* Council Dwellings	354,889	0	354,889	339,593	0	339,593
* Other Land and Buildings	548,128	1,600	549,728	527,978	1,679	529,657
* Vehicles, Plant, Furniture and Equipment	8,174	(148)	8,026	8,945	1	8,946
* Infrastructure Assets	139,311	0	139,311	146,270	0	146,270
* Community Assets	2,377	0	2,377	2,377	(350)	2,027
* Assets under Construction	25,642	0	25,642	30,246	0	30,246
* Surplus assets not held for sale	0	2,062	2,062	62	1,740	1,802
* Finance leases- Fleet Vehicles (CBC lessee)	0	127	127	0	77	77
* Finance leases- MFD Equipment (CBC lessee)	0	0	0	0	0	0
	1,078,521	3,641	1,082,162	1,055,471	3,147	1,058,618
Investment Properties:						
* Investment Properties	52,621	(3,662)	48,959	60,640	(3,784)	56,856
Intangible Assets						
* Software	4,622	0	4,622	4,922	0	4,922
Long Term Investments:						
* Non property investments	5,188	0	5,188	5,936	0	5,936
Long Term Debtors						
* Long Term General Debtors (over one year)	845	0	845	712	0	712
Long Term Assets	1,141,797	(21)	1,141,776	1,127,681	(637)	1,127,044
Short Term Investments Principal	78,670	(21,987)	56,683	55,445	(708)	54,737
Short Term Investments Interest	0	1,485	1,485	0	708	708
Assets Held for Sale- current	0	0	0	0	660	660
Inventories:						
* Stocks and Works in Progress	42	0	42	46	0	46
Short Term Debtors						
* General Debtors (within one year)	66,970	(649)	66,321	56,394	41	56,435
Cash and Cash Equivalents	18,635	21,151	39,786	16,595	0	16,595
Current Assets	164,317	0	164,317	128,480	701	129,181
Short Term Borrowing	(1,449)	0	(1,449)	(5,006)	0	(5,006)
Short Term Creditors						
* General Creditors (within one year)	(86,189)	0	(86,189)	(68,992)	0	(68,992)
* Fin Leases Creditors (within one year)- Fleet Vehicles (CBC lessee)	0	(46)	(46)	0	(43)	(43)
	(86,189)	(46)	(86,235)	(68,992)	(43)	(69,035)
Provisions	0	(3,586)	(3,586)	0	(5,742)	(5,742)
Provisions- accumulating compensated absences	0	(6,086)	(6,086)	0	(8,013)	(8,013)

Current Liabilities	(87,638)	(9,718)	(97,356)	(73,998)	(13,798)	(87,796)
Long Term Creditors						
Long Term Fin Leases Creditors (over one year)- Fleet Vehicles (CBC lessee)	0	(75)	(75)	0	(35)	(35)
PFI	(20,459)	0	(20,459)	(19,716)	0	(19,716)
	(20,459)	(75)	(20,534)	(19,716)	(35)	(19,751)
Provisions	(7,052)	3,586	(3,466)	(8,868)	5,742	(3,126)
Long Term Borrowing	(154,372)	0	(154,372)	(154,183)	0	(154,183)
Other Long Term Liabilities:						
* Liability Related to Defined Benefit Pension Scheme	(158,326)	0	(158,326)	(326,355)	0	(326,355)
* Investment funds	(10)	0	(10)	(11)	0	(11)
* Deferred liabilities	(148)	148	0	41	(41)	0
	(158,484)	148	(158,336)	(326,325)	(41)	(326,366)
Capital Grants RiA	(97,613)	77,334	(20,279)	(112,751)	82,018	(30,733)
Long Term Liabilities	(437,980)	80,993	(356,987)	(621,843)	87,685	(534,158)
Net Assets	780,496	71,254	851,750	560,320	73,951	634,271
Usable Reserves:						
General Fund Reserve	(2,386)	0	(2,386)	(5,163)	0	(5,163)
GF Earmarked Reserves	(23,804)	0	(23,804)	(10,574)	0	(10,574)
Housing Revenue Account Balance	(4,039)	0	(4,039)	(4,283)	60	(4,223)
HRA Earmarked Reserves	0	0	0	0	(60)	(60)
Usable Capital Receipts Reserve	(31,909)	0	(31,909)	(30,942)	0	(30,942)
Major repairs reserve	(200)	0	(200)	(200)	0	(200)
Schools Reserve	(8,996)	0	(8,996)	(9,028)	0	(9,028)
	(71,334)	0	(71,334)	(60,191)	0	(60,191)
Unusable Reserves:						
Revaluation Reserve	(50,514)	18,546	(31,968)	(70,152)	26,989	(43,163)
Available for sale Fin Instruments Reserve	634	0	634	415	0	415
Capital Adjustment Account	(820,474)	(95,885)	(916,359)	(761,807)	(108,952)	(870,759)
Fin Instruments Adjustment account	442	0	442	2,505	0	2,505
Pension Reserve	158,326	0	158,326	326,356	0	326,356
Deferred Capital Receipts	(72)	0	(72)	(72)	0	(72)
Collection Fund Adjustment Account	(128)	0	(128)	0	0	0
Unequal pay back pay account AKA Single Status Reserve	2,624	0	2,624	2,625	0	2,625
Accumulating compensated absences account	0	6,086	6,086	0	8,013	8,013
	(709,162)	(71,254)	(780,415)	(500,130)	(73,950)	(574,080)
Total Reserves	(780,496)	(71,254)	(851,750)	(560,320)	(73,951)	(634,271)

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	(31,480)	0	36,282	0	0	0	0	0	4,802
Other Comprehensive I&E	2,828	0	0	0	0	0	0	0	2,828
Total Comprehensive I&E	(28,652)	0	36,282	0	0	0	0	0	7,630
Adjustments between accounting basis and funding basis under regulations (note 7)	25,309	0	(35,787)	0	28,374	(1,480)	0	(2,304)	14,112
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 Adjustment Account	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	4,802
Other Comprehensive I&E	(9,779)	(359)	(73,200)	0	0	0	0	0	0	(83,338)	(80,510)
Total Comprehensive I&E	(9,779)	(359)	(73,200)	0	0	0	0	0	0	(83,338)	(75,708)
Adjustments between accounting basis and funding basis under regulations (note 7)	2,923	342	(55,874)	42,596	0	(440)	1,292	(2,625)	(2,326)	(14,112)	0
Net increase/decrease before transfers to Earmarked Reserves	(6,856)	(17)	(129,074)	42,596	0	(440)	1,292	(2,625)	(2,326)	(97,450)	(75,708)
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)	42,596	0	(440)	1,292	(2,625)	(2,326)	(97,450)	(75,708)
Balance @ 31st March 2011	(50,019)	398	197,283	(828,163)	(72)	2,065	1,292	0	5,687	(671,530)	(709,978)

Usable 2009/10	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Major Repairs £'000	Schools £'000	Usable Total £'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 £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment a/c £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Single Status £'000	Short term Accumulated Absence £'000	Unusable Total £'000	GRAND Total £'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	63,340	(23,024)	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	596,238	(422,330)	173,908
Cost of Services					
Notes					
Other Operating Expenditure					
		8,133		9	8,504
		653			672
		(828)			621
		29,614			33,082
		37,572			42,879
Financing and Investment Income and expenditure					
		7,028		10	5,718
		2			94
		1,318			919
		29,350			34,708
		(16,235)			(23,446)
		(2,084)			(1,393)
		(7,907)			(5,861)
		0			66
		(2,189)			(1,714)
		1,066			381
		10,350			9,472
		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)	Recognised capital grants and contributions		(24,440)
<u>(190,914)</u>			<u>(221,457)</u>
<u>67,073</u>	(Surplus)/Deficit on Provision of Services		<u>4,802</u>
	(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		2,828
<u>150,406</u>	Other Comprehensive Income and Expenditure-(Surplus)/Deficit		<u>(80,510)</u>
<u>217,479</u>	Total Comprehensive Income and Expenditure-(Surplus)/Deficit		<u>(75,708)</u>

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		507,452	
8,026	8,946	Vehicles, Plant, Furniture and Equipment		7,814	
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				1,004,604
		<u>Investment Properties:</u>	13		
48,959	56,856	Investment Properties		63,350	
48,959	56,856				63,350
		<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			1,078,953
56,683	54,737	Short Term Investments- principal	15	41,000	
1,485	708	Short Term Investments- interest		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)		63,392	
39,786	16,595	Cash and Cash Equivalents	19	5,057	
164,317	129,181	Current Assets			110,888

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)		(57,993)
(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		(68,623)
		<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	(18,453)
(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		(411,240)
851,750	634,271	Net Assets		709,978
		<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		(828,163)
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		1,292
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)			(671,530)
(851,750)	(634,271)	Total Reserves		(709,978)

CASH FLOW STATEMENT

2009/10 £'000	Note	2010/11 £'000	2010/11 £'000
(67,073)	<u>Net surplus/(deficit) on the provision of services</u>		(4,802)
	<u>Adjustment net surplus/(deficit) on the provision of services for non-cash movements</u>		
29,934	- Depreciation and impairment	24,385	
0	- Deferred grants amortised in year	0	
2,165	- Pension fund adjustment	55,873	
38,139	- Other movements in General Fund	(15,947)	
4,473	- Repayment of loans	6,129	
359	- Revenue contribution to capital	667	
1,816	- Contributions to provisions	(4,960)	
(8,657)	- Contributions to capital reserves	(19,222)	
(13,327)	- Contributions to revenue reserves	6,385	
(4)	- (Increase)/decrease in stock	(2)	
12,669	- (Increase)/decrease in debtors	(7,952)	
(19,268)	- (Increase)/decrease in creditors	(8,702)	
48,299			(36,654)
	<u>Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities</u>		
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	(33,029)	
3,975			(40,367)
(14,798)	Net cash flows from operating activities- inflow/(outflow)	25	(8,515)
	<u>Investing activities</u>	26	
(43,061)	- Purchase of Property, Plant & Equipment, investment properties and intangible assets	(40,289)	
1,628	- 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	32,375	
2,599	- Proceeds from short term and long term investments	13,909	
12,939	- Other receipts from investing activities	0	
(13,386)			3,242
	<u>Financing activities</u>	27	
0	- Other receipts from financing activities	6	
(743)	- Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(704)	
5,736	- Repayments of short term and long term borrowing	(5,565)	
1	- Other	(2)	
4,994			(6,265)
(23,191)	Net increase/(decrease) in cash and cash equivalents		(11,538)
39,786	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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The following notes are included in the accounts to aid the reader in the interpretation of the core financial statements.

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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.

However, the soft loans currently given out by the Council are not material in value and are therefore accounted for by recording the outstanding amounts in the Balance Sheet (to reflect the cash advances made under the loan agreements) which are then reduced as repayments are made to the Council. These repayments are then accounted for in year, through the Comprehensive Income and Expenditure Statement.

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 entitlement or meeting of conditions 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 recognised in the Comprehensive Income and Expenditure Statement and then 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. There are no internally generated intangible assets on the Council's Balance Sheet.

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 at the lower of cost and net realisable value.

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. It is highly unlikely that such a circumstance would occur, due to the tenant's right to cancel the transaction up until actual exchange.

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 £2k 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 - £2,000
- Infrastructure - £2,000
- Community assets - £2,000
- Plant and Equipment - £2,000
- Vehicles - £ Nil

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:

- 4% of the 1 April 2009 Capital Financing Requirement less Adjustment A, assets under construction and the PFI Finance Lease Liability
- 4% on 2009/10 capital expenditure funded by supported borrowing
- The 2009/10 capital expenditure that has not been funded by grant, capital receipts, revenue contributions or supported borrowing, has to be identified by asset or asset group with the same useful life and MRP calculated on straight line over the useful life of the asset.
- The 2010/11 PFI and Finance Lease liability redemption.
- The 2009/10 transfer of assets from Assets under construction to operational assets that has not been funded by grant, capital receipts, revenue contributions or supported borrowing, has to be identified by asset or asset group with the same useful life and MRP calculated on straight line over the useful life of the operational asset.

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%

cc) Jointly controlled assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity, such as the Councils Pooled Budget arrangement. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and Income that it earns from the venture.

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. Heritage assets are to be recognised as a separate class of asset for the first time in the 2011/12 financial statements, in accordance with FRS30. It is anticipated that no Council assets will fall into this classification next year.

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 and potential revenue impact. If useful life overstated by 1 year, depreciation would increase by £2.4m.
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. A 1% increase in the bad debt provision would represent an increase of £39k.
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 and potential revenue impact. A 1% increase in the pension liability would represent an increase of £2m.
Others:		
<ul style="list-style-type: none"> • Accruals • Trading a/c's overheads • HRA proportion of pensions 	<ul style="list-style-type: none"> • Actual amount differs from accrual estimate • Actual amount differs from accrual estimate • Actual proportion differs from estimate 	If incorrect, effect is mis-statement of values on the Balance Sheet / HRA and potential revenue impact.

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)	-
Others:		
* Impact of the reduction in the social housing factor	Central Government set percentage, which changed from 46% to 39% year on year (HRA note 2)	£41,000
* Negative past service cost	Calculation basis changed from RPI to CPI (note 47)	£62,767

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

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	General Fund Balance £'000	HRA Balance £'000	Capital Receipt Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Schools £'000	Movement unusable Reserve £'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	(19,703)	0	-	-	-	-	19,703
* Revaluation losses on Property Plant and Equipment	(897)	(41,579)	-	-	-	-	42,476
* Movement in the market value of investment properties	5,861	-	-	-	-	-	(5,861)
* Amortisation of intangible assets	(1,658)	-	-	-	-	-	1,658
* Capital grants and contributions applied	21,004	-	-	-	-	-	(21,004)
* Movement in Donated Assets Account	-	-	-	-	-	-	-
* Revenue expenditure funded from capital under statute	(12,103)	-	-	-	-	-	12,103
* 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	(34,354)	429	-	-	-	-	33,924
<u>Insertion of items not debits/credits to the Comprehensive Income and expenditure:</u>							
* Statutory provision for the financing of capital investment	7,025	-	-	-	-	-	(7,025)
* Capital expenditure charged against the General Fund and HRA balances	667	835	-	-	-	-	(1,502)
* Application of grants to capital fin. of capital inv. charged to the General Fund and HRA balances	(690)	-	-	-	-	-	690
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure Statement	770	-	-	(770)	-	-	-
* Application of grants to capital financing transferred to the Capital Adjustment Account	710	-	-	(710)	-	-	-
<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	-	(2,083)	-	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	29,836	-	-	-	(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)	-	621	-	-	-	-
* Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	0	-	-	-	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	-	-	(684)	-	-
* Use of the Major Repairs Reserve to finance new capital expenditure	(684)	-	-	-	684	-	-
<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	440	-	-	-	-	-	(440)

<u>Adjustments primarily involving the Pensions Reserve:</u>							
* Reversal of items relating to retirement benefit debits/credits to the Comprehensive Income and Expenditure Statement	35,173	2,596	-	-	-	-	(37,789)
* Employer's pensions contributions and direct payments to pensioners payable in year	16,871	1,234	-	-	-	-	(18,105)
<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	(1,292)	-	-	-	-	-	1,292
<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	2,625	-	-	-	-	-	(2,625)
<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	2,326	-	-	-	-	-	(2,326)
<u>Other adjustments:</u>	1,756	13	0	0	0	(2,304)	535
Total Adjustments:	25,309	(35,787)	28,374	(1,480)	0	(2,304)	(14,112)

2009/10	<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	(18,972)	-	-	-	-	-	18,972
* Revaluation losses on Property Plant and Equipment	(9,064)	(14,849)	-	-	-	-	23,913
* Movement in the market value of investment properties	7,949	-	-	-	-	-	(7,949)
* Amortisation of intangible assets	(1,442)	-	-	-	-	-	1,442
* Capital grants and contributions applied	21,728	-	-	-	-	-	(21,728)
* Movement in Donated Assets Account	-	-	-	-	-	-	-
* Revenue expenditure funded from capital under statute	(10,619)	-	-	-	-	-	10,619
* 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	(29,708)	(467)	-	-	-	-	29,241
<u>Insertion of items not debits/credits to the Comprehensive Income and expenditure:</u>							
* Statutory provision for the financing of capital investment	5,216	-	-	-	-	-	(5,216)
* Capital expenditure charged against the General Fund and HRA balances	359	343	-	-	-	-	(702)
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure Statement	-	-	-	0	-	-	-
* 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	1,351	-	(1,351)	-	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,490	-	-	-	(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)	-	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	-	-	(55)	-	-
* Use of the Major Repairs Reserve to finance new capital expenditure	(55)	-	-	-	55	-	-
<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	(2,063)	-	-	-	-	-	2,063
<u>Adjustments primarily involving the Pensions Reserve:</u>							
* Reversal of items relating to retirement benefit debits/credits to the Comprehensive Income and Expenditure Statement	(19,187)	(1,699)	-	-	-	-	20,886
* Employer's pensions contributions and direct payments to pensioners payable in year	19,826	1,043	-	-	-	-	(20,869)
<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	(128)	-	-	-	-	-	128
<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	(1)	-	-	-	-	-	1
<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	(1,927)	-	-	-	-	-	1,927
<u>Other adjustments:</u>	686	(60)	0	0	0	(32)	(594)
Total Adjustments:	(36,879)	(14,700)	968	0	0	(32)	50,643

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> <u>01/04/2009</u> <u>£'000</u>	<u>Transfers</u> <u>out</u> <u>2009/10</u> <u>£'000</u>	<u>Transfers</u> <u>in</u> <u>2009/10</u> <u>£'000</u>	<u>Balance</u> <u>31/03/2010</u> <u>£'000</u>	<u>Transfers</u> <u>out</u> <u>2010/11</u> <u>£'000</u>	<u>Transfers</u> <u>in</u> <u>2010/11</u> <u>£'000</u>	<u>Balance</u> <u>31/03/2011</u> <u>£'000</u>
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	33,082
(Gain)/loss on Disposal of Fixed Assets- intangibles	0	0
Total	37,572	42,879

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	919
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	66
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	9,472

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	(11,601)	(24,440)
Non-service related government grants	0	0
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	543,545	18,168	0	417	171,068	2,030	1,820	30,246	1,106,954	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 inc/(dec) rec in Revaluation Reserve	(3,145)	12,922	0	0	0	0	0	1	0	9,778	0
Revaluation inc/(dec) rec 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)	(3,160)	0	0	0	0	0	(605)	(37,117)	0
De-recognition- other	0	0	0	0	0	0	0	0	0	0	(687)
Assets reclass (to)/from Assets under Construction	0	1,987	306	0	0	5,479	0	145	(9,026)	(1,109)	0
Assets reclassified (to)/from Investment Properties	0	(746)	0	0	0	0	(69)	0	0	(815)	0
Assets reclassified (to)/from surplus assets	139	0	0	0	0	0	0	(139)	0	0	0
Assets reclassified (to)/from held for sale	0	(539)	0	0	0	0	0	0	0	(539)	0
Accumulated depreciation w/o due to revaluation	(2,993)	(3,007)	0	0	0	0	0	0	0	(6,000)	0
Other movements in cost or valuation	1	(13)	0	0	0	0	0	0	(731)	(743)	0
As at 31st March 2011	297,801	528,514	17,590	1,121	417	186,995	1,961	1,997	30,466	1,066,863	0
Accumulated depreciation and impairment:											
At 1st April 2010	(66)	(13,888)	(9,223)	0	(340)	(24,798)	(3)	(19)	0	(48,337)	(687)
Depreciation charge in year	(3,024)	(11,371)	(2,164)	0	(40)	(6,101)	0	(27)	0	(22,727)	0
Dep w/o to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
Dep w/o to the surplus/deficit on prov of services	0	0	0	0	0	0	0	0	0	0	0
Impairment loss/(reversal) rec in Revaluation Res	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
Assets reclassified (to)/from Investment Properties	0	4	0	0	0	0	0	0	0	4	0
Assets reclassified (to)/from surplus assets	(2)	0	0	0	0	0	0	2	0	0	0
Assets reclassified (to)/from held for sale	0	14	0	0	0	0	0	0	0	14	0
Accumulated depreciation w/o due to revaluation	2,993	3,007	0	0	0	0	0	0	0	6,000	0
Other movements in depreciation and impairment	0	(36)	0	0	0	0	0	(1)	0	(37)	0
As at 31st March 2011	(94)	(21,062)	(9,776)	0	(380)	(30,899)	(3)	(45)	0	(62,259)	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	507,452	7,814	1,121	37	156,096	1,958	1,953	30,466	1,004,604	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	7,911	1,174	0	12,638	0	0	14,000	41,205	0
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation inc/(dec) rec in Revaluation Reserve	(1,710)	15,893	0	0	0	0	91	0	14,274	0
Revaluation inc/(dec) rec in surplus/deficit on provision of services	(14,903)	(9,064)	0	0	0	(20)	0	0	(23,987)	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 reclass (to)/from Assets under Construction	0	5,437	1,928	0	0	0	0	(9,107)	(1,742)	0
Assets reclassified (to)/from Investment Properties	67	0	0	0	0	0	0	0	67	0
Assets reclassified (to)/from surplus assets	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	(330)	(330)	0	(660)	0
Accumulated depreciation w/o due to revaluation	(7,310)	(492)	0	0	0	0	0	0	(7,802)	0
Other movements in cost or valuation	0	(43)	148	0	0	0	(2)	108	211	0
As at 31st March 2010	339,659	543,545	18,168	417	171,068	2,030	1,820	30,246	1,106,954	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	(22,567)	(229)
Dep w/o to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Dep w/o to the surplus/deficit on prov of services	0	0	0	0	0	0	0	0	0	0
Impairment loss/(reversal) rec in Revaluation Res	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
Assets reclassified (to)/from Investment Properties	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from surplus assets	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0	0
Accumulated depreciation w/o due to revaluation	7,310	492	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0	0
As at 31st March 2010	(66)	(13,888)	(9,223)	(340)	(24,798)	(3)	(19)	0	(48,337)	(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 £9.883m. Similar commitments at 31 March 2010 were £4.75m. The major commitments are:

- Development of Flitwick Town Centre- £3.251m
- Relocation of Roecroft Lower School- £2.847m
- 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	7,814	1,121	37	156,096	1,958	0	0	167,026
Valued at fair value as at:										
* 31 st March 2011	296,970	113,511	0	0	0	0	0	1,953	30,466	442,900
* 31 st March 2010	737	393,941	0	0	0	0	0	0	0	394,678
Total cost or valuation	297,707	507,452	7,814	1,121	37	156,096	1,958	1,953	30,466	1,004,604

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 for fair value adjustment	(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	(178)
Net gain/(losses) from fair value adjustment	7,949	5,861
Transfers:		
* (To)/from inventories	0	0
* (To)/from property, plant and equipment	(67)	811
Other charges	15	0
Balance at end of year	56,856	63,350

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	0	0	0	1,369	1,369
* From Assets under construction	0	1,743	1,743	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	43,435
Financial assets carried at contract amounts	0	0	0	0
Total Debtors	712	35,063	654	43,435
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)	-	(18,453)	-
Liability related to defined benefit pension scheme	(326,355)	-	(197,282)	-
Investment funds	(11)	-	(34)	-
Total other long term liabilities	(346,082)	-	(215,769)	-
Creditors:				
Financial liabilities at amortised cost	0	-	0	-
Financial liabilities carried at contract amount	-	(66,603)	-	(56,281)
Finance Leases- fleet vehicles	(35)	(43)	(16)	(19)
Finance Leases- multi functional devices printers	0	0	(560)	(371)
Total creditors	(35)	(66,646)	(576)	(56,716)
Grand total	(493,181)	18,865	(364,313)	27,655

Please note "trade" debtors/creditors are defined within the Council's Accounting Policies and are not the same as the Balance Sheet debtor/creditor definitions. "Trade" debtors/creditors exclude taxation, Council Tax, NNDR and any other part where no trading agreement exists.

Reclassifications:

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

Income, Expense, Gains and Losses:

2010/11	Financial liabilities at amortised cost	Financial Asset loans & received	Financial Assets available for sale	Assets/Liabilities at Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000
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	4,324

2009/10	Financial liabilities at amortised cost	Financial Asset loans & received	Financial Assets available for sale	Assets/Liabilities at Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000
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	7,009
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	4,925

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 using the PWLB premature repayment rates) 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>
	£'000	£'000
Central government bodies	19,974	19,200
Other Local Authorities	10,470	9,262
NHS bodies	9,210	4,442
Public corporations and trading funds	4,831	6,549
Other entities and individuals *	12,362	26,226
Bad debt provisions	(412)	(2,287)
Total	56,435	63,392

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>
	£'000	£'000
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>
	£'000	£'000	£'000	£'000
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 sold after 31/03/2011 (Balance Sheet date) but before 01/09/2011:

- 4 Council Dwellings (Right to Buy scheme- HRA), sales valued at £670k with receipts of £534k.
- 1 piece of land (HRA), sale valued at £nil with receipts of £55k.
- 1 piece of land (non-HRA), sale valued at £330k with a receipt of £330k.

Note 21) Creditors

	<u>2009/10</u> £'000	<u>2010/11</u> £'000
Central government bodies	(6,980)	(10,113)
Other Local Authorities	(12,170)	(16,748)
NHS bodies	(517)	(904)
Public corporations and trading funds	(21,511)	(20,829)
Other entities and individuals	(27,814)	(9,399)
Finance leases- fleet vehicles	(43)	(19)
Finance leases- multi functional devices printers	0	(371)
Total	(69,035)	(58,383)

Note 22) Provisions

	<u>Outstanding</u> <u>legal cases</u> £'000	<u>Injury & damage</u> <u>Compensation</u> <u>claims</u> £'000	<u>Other</u> <u>provisions</u> £'000	<u>Total</u> £'000
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)	(828,163)
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	1,292
Single Status Reserve / unequal pay (h)	2,625	0
Accumulating Compensated Absences Account (i)	8,013	5,687
	(574,080)	(671,531)

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>£'000</u>	<u>2010/11</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>£'000</u>	<u>2010/11</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>£'000</u>	<u>2010/11</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	22,727
* 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	34,801
	<hr/>	<hr/>
	89,005	113,765
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	110,842
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)	(7,024)
* Capital expenditure charged against the General Fund and HRA balances	(343)	(1,502)
	<hr/>	<hr/>
	(32,426)	(62,385)
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)	(828,163)

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>£'000</u>	<u>2010/11</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>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	158,326	326,356
Actuarial gains or losses on pensions assets and liabilities	164,810	(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	24,089	(37,769)
Employers pensions contributions and direct payments to pensions payable in year	(20,869)	(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>
	<u>£'000</u>	<u>£'000</u>
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>
	<u>£'000</u>	<u>£'000</u>
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	1,292
Balance at year-end	0	1,292

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)	(4,802)
- Depreciation and impairment	29,934	24,385
- Revaluation decreases to I&E	0	0
- Deferred grants amortised in year	0	0
- Pension fund adjustment	2,165	55,873
- Other movements in the General Fund	38,139	(15,947)
- Repayment of loans	4,473	6,129
- Revenue contributions to capital	359	667
- Contributions to provisions	1,816	(4,960)
- Contributions to capital reserves	(8,657)	(19,222)
- Contributions to revenue reserves	(13,327)	6,385
- (Increase)/decrease in stock	(4)	(2)
- (Increase)/decrease in debtors	12,669	(7,952)
- (Increase)/decrease in creditors	(19,268)	(8,702)
	48,300	(36,654)
- 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	(33,029)
	3,975	40,367
Net cash flows from operating activities	(14,798)	(8,515)

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)	(40,289)
Purchase of short term and long term investments	1,628	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	32,375
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	(13,386)	3,242

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)	(743)	(704)
Repayments of short term and long term borrowing	5,736	(5,565)
Other payments for financing activities	1	(2)
Net cash flows from financing activities	4,994	(6,265)

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:

	Children's 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	(221,318)	(11,256)	(66,631)	(16,699)	(315,904)
Total income	(221,318)	(11,256)	(66,631)	(16,699)	(315,904)
* Employee expenses	167,920	25,798	18,726	21,364	233,808
* Other service expenses	86,366	14,860	98,474	40,817	240,517
Total expenditure	254,286	40,658	117,200	62,181	474,325
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	(2,460)	(2,193)
Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis (Directorate detail below)	33,584	(600)
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>Children's 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
* Pensions (current service cost / employers contributions / unfunded elements)	(1,768)	(203)	(1,536)	(1,187)	(4,694)
* Pensions (past service costs)	(23,641)	(2,714)	(20,539)	(15,872)	(62,767)
					(600)
<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
					28,186
<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
* Pensions (current service cost / employers contributions / unfunded elements)	(4,782)	(2,122)	(4,281)	(3,226)	(14,391)
* Pensions (past service costs)	0	0	0	0	0
					33,584
<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
					29,776

Reconciliation to subjective analysis:

Please see the next page.

*: As per Comprehensive Income & Expenditure Statement	Directorate analysis	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)
**: As per Outturn Report to management	excluding recharges (A)								
2010/11	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fee, charges & other service income	(25,357)	(8,442)	(33,798)	(106,426)	-	-	(140,224)	-	(140,224)
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)	(282,106)	-	(282,106)	-	-	-	(282,106)	(86,811)	(368,917)
Expected return on pension assets (note 10)	-	-	-	-	-	-	0	(23,446)	(23,446)
Investment properties value, expenses and rents	-	-	-	-	-	-	0	(7,128)	(7,128)
Total Income	(307,463)	(8,442)	(315,904)	(106,426)	-	-	(422,330) *	(253,424)	(675,754)
Employee expenses	233,808	-	233,808	-	-	-	233,808	-	233,808
Other service expenses	222,169	-	222,169	104,233	(67,461)	-	258,941	-	258,941
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	6,731	6,731
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	33,082	33,082
Total Expenditure	455,977	36,628	492,605	104,233	(600)	-	596,238 *	84,318	680,556
(Surplus) / deficit on the provision of services	148,515	28,186	176,701 **	(2,193)	(600)	-	173,908 *	(168,106) *	4,802 *
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	127,010	(14,391)	-	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	127,010	33,584	-	627,316 *	75,270	702,586
(Surplus) / deficit on the provision of services	149,164	29,776	178,940 **	(2,460)	33,584	-	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:

		2009/10		2010/11	
		£'000	£'000	£'000	£'000
<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, during the year, the following amounts to parties outlined:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Salaries (to members)	1,100	1,088
Allowances (to members)	15	3
NI (tax)	81	86
Pension (to Pension Fund)	62	70
Expenses (to members)	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>Total Remuneration excluding Pension Contributions</u> £	<u>Pensions contributions</u> £	<u>Total</u> £
Gary Alderson- Director of Sustainable Communities					
2009/10	123,000	2,369	125,369	26,937	152,306
2010/11	129,385	942	130,327	28,032	158,358
John Atkinson- Monitoring Officer (from July 2010)					
2009/10 (not John Atkinson)	57,803	2,399	60,202	14,727	74,929
2010/11	72,032	786	72,818	15,496	88,314
Matt Bowmer- S151 Officer (left in February 2011)					
2009/10	84,852	3,050	87,902	18,582	106,484
2010/11	81,741	2,283	84,024	17,608	101,633
Richard Carr- Chief Executive (started October 2009)					
2009/10	80,067	1,213	81,280	17,534	98,814
2010/11	186,750	1,505	188,255	40,515	228,770
Richard Ellis- Director of Customer & Shared Services					
2009/10	123,416	3,033	126,449	27,028	153,477
2010/11	131,739	649	132,388	28,579	160,967
Edwina Grant- Director of Children's Services (also acts as Deputy Chief Executive)					
2009/10	156,747	4,851	161,598	34,327	195,925
2010/11	157,987	1,833	159,820	34,328	194,148
Julie Ogley- Director of Social Care, Health & Housing					
2009/10	143,430	1,170	144,600	31,411	176,011
2010/11	144,669	0	144,669	31,411	176,080
Jaki Salisbury- Interim Chief Executive (left October 2009)					
2009/10	348,903	162	349,065	19,723	368,788
2010/11	0	0	0	0	0
TOTAL 2009/10	1,118,218	18,247	1,136,465	190,269	1,326,734
TOTAL 2010/11	904,303	7,998	912,301	195,969	1,108,270

Jaki Salisbury's figures include a redundancy payment of £258,841.80p.

John Unsworth was the S151 officer from 14th February 2011 until 30th June 2011 when he took on another role in the Council. He is not an employee of the Council but provides services under an interim management contract. The cost to the council from 14th February to 31st March 2011 was £27k which comprised fees for Mr Unsworth and a margin for the interim management company.

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> Number of permanent employees	<u>2010/11</u> Number of permanent employees	<u>2010/11</u> Number of temporary employees and interim managers
£50,000-£54,999	89	96	5
£55,000-£59,999	57	55	4
£60,000-£64,999	38	42	3
£65,000-£69,999	12	26	4
£70,000-£74,999	11	16	10
£75,000-£79,999	7	7	2
£80,000-£84,999	5	4	1
£85,000-£89,999	9	7	0
£90,000-£94,999	3	7	0
£95,000-£99,999	2	1	0
£100,000-£104,999	0	0	0
£105,000-£109,999	0	0	0
£110,000-£114,999	1	0	0
£115,000-£119,999	0	1	2
£120,000-£124,999	1	0	0
£125,000-£129,999	2	1	0
£130,000-£134,999	0	0	0
£135,000-£139,999	0	0	1
£140,000-£144,999	1	0	0
£145,000-£149,999	0	0	0
Total	238	263	32

Please note: data on the number of interims during 2009/10 is not available, therefore the 2009/10 figures outlined above are permanent employees only.

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> £'000	<u>2010/11</u> £'000
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 £343k 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:

Schools budgets funded from DSG:	<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	(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)	(18,087)
- Section 106	-	(1,597)
- Section 278	-	(1,921)
- Devolved Formula Capital	-	(3,918)
- Sure Start	(1,704)	(2,187)
- Standards Fund	-	(6,025)
- Modernisation	-	(1,959)
- Integrated schemes	(2,654)	(2,025)
- NHS campus closure	(3,195)	-
- Others (individually less than £1m)	(4,048)	(4,807)
* 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)	(12,778)
* 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 YPLA funding	(1,436)	(1,951)
* Drug & Alcohol Misuse	(1,065)	(1,052)
* Other Grants (individually less than £1m)	(17,026)	(10,380)
Total	(279,523)	(282,106)

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>£'000</u>	<u>2010/11</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 (no individual grants over £1m)	(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	192,351	211,473
Capital investment:		
* Property, plant and equipment	41,231	38,873
* Investment properties	0	0
* Intangible assets	0	1,369
* Revenue funded from capital under statute	10,619	12,103
Sources of finance:		
* Capital receipts	(1,490)	(29,826)
* 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)	(7,025)
Other movements	(549)	(227)
Closing Capital Financing Requirement	211,473	200,516
Explanation of movement in year:		
* Increase in underlying need to borrow (supported)	18,856	(2,530)
* Increase in underlying need to borrow (unsupported)	266	(9,549)
* Assets acquired under finance leases	0	1,121
* Assets acquired under PFI contracts	0	0
Increase/(decrease) in Capital Financing Requirement	19,122	(10,958)

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. Most are less than 25 years and many are annual, those that are 99 years are very limited in number and immaterial in value.

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 RPI until the contract expires on 31 December 2035. Estimated index-rated 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>expenditure</u>		
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Payable in 2011/12	1,955	448	1,569	3,972
Payable within 2 to 5 years	8,066	2,272	6,324	16,662
Payable within 6 to 10 years	11,515	3,219	8,008	22,742
Payable within 11 to 15 years	14,184	2,670	8,318	25,172
Payable within 16 to 20 years	15,340	3,894	8,742	27,976
Payable within 20 to 25 years	15,590	5,950	9,669	31,209
Total	66,651	18,453	42,630	127,734

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)	(1,263)
Capital expenditure incurred in the year	0	0
Other movements	0	0
Balance outstanding at year end	19,716	18,453

Note 43) Impairment Losses

During 2010/11, the Council has no recognised impairment losses. However, items shown elsewhere in the statements as impairment losses all relate to losses arising due to revaluations. These amounts are summarised in notes 7, 12, 14, 24a and 25.

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 contracts of 140 employees in 2010/11, incurring costs of £1.5m (92 and £2.0m in 2009/10). These have been incurred as part of the Council's drive to reduce operating costs.

Of those contracts terminated, one employee in 2010/11 incurred costs of £12k due to a period of "gardening" leave.

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:

- £9.1m from the Council's payroll system (£8.9m 2009/10)
- £2.4m from Other payroll providers (£2.4m 2009/10)

to Teachers' Pensions in respect of teachers' retirement benefits, 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>£'000</u>	<u>2010/11</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-imburement 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)	(168,013)	73,200
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	(168,013)	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):

	Funded & Unfunded liabilities	
	2009/10	2010/11
	£'000	£'000
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
Curtailements	839	324
Settlements	0	0
Closing balance at 31st March	678,476	533,503

Funded / Unfunded split of present value of the scheme liabilities (defined benefit obligation):

	Funded		Unfunded	
	2009/10	2009/10	2010/11	2010/11
	£'000	£'000	£'000	£'000
Opening balance at 1st April	410,905	18,135	655,899	22,577
Closing balance at 31st March	655,899	22,577	515,338	18,167
Closing balance at 31st March Total	678,476		533,503	

Reconciliation of fair value of the scheme assets:

	Funded & Unfunded	
	2009/10	2010/11
	£'000	£'000
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)
Curtailements	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> £'000	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>2009/10</u> £'000	<u>2010/11</u> £'000
<u>Present value of liabilities:</u>					
* Funded & Unfunded	0	0	0	(678,476)	(533,505)
Fair Value of assets in the Funded & Unfunded:	0	0	0	352,121	336,223
<u>Surplus/(deficit) in the scheme:</u>					
* Funded & Unfunded	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>Funded & Unfunded</u>	
	<u>2009/10</u>	<u>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)

In the UK Budget Statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in 2010/11 Pension Fund by £62,767k and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

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 but a prudent estimate of the financial effect is not possible in this case.

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. A prudent estimate of the financial effect is not possible in this case.

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. A prudent estimate of the financial effect is not possible in this case.

The Council may be required to pay back a proportion of a grant given by the East of England Development Agency (EEDA) to the former County Council, relating to broadband provision. There is a total potential liability of between £100k and £400k of which the Council will pick up a share along with Bedford Borough Council.

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:

<u>Instrument</u>	<u>Country</u>	<u>Counterparty</u>	<u>Maximum</u>	<u>Limit</u>	<u>of</u>
<u>In-house</u>			<u>Investments</u>	<u>%/£m</u>	
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	
<u>Instrument</u>		<u>Counterparty</u>	<u>Maximum Limit of Investments %/£m</u>
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	<u>Amount at 31 March £'000</u>	<u>Historical experience of default % £'000</u>	<u>Historical experience adjusted for market conditions at 31st March % £'000</u>	<u>Estimate max exposure to default and uncollectability at 31st March £'000</u>	<u>Estimate max exposure as 31st March £'000</u>
	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 £'000</u>	<u>2010/11 £'000</u>
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>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Less than one year	5,006	646
Between one and two years	651	5,038
Between two and five years	28,973	33,376
Between five and ten years	16,060	6,612
Between ten and 25 years	34,653	34,649
More than 25 years	75,916	75,916
Total	161,259	156,237

2009/10 comparator previously certified at carrying value, restated 2009/10 to nominal value. 2010/11 also nominal value.

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:

	2010/11
	£'000
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
Impact on Surplus or Deficit on the Provision of Services	176
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and expenditure	0
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)	(17,356)

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.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The £5m shares are all classified as "available for sale" however as all movements in price are unrealised until sale, when they would become realised, the impact of gains and losses are recognised in the Available for Sale Financial Instruments Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £250k gain or loss being recognised in the Available for Sale Financial Instruments Reserve for 2010/11 (actual cumulative unrealised losses for the Lime Fund, currently stand at 31/03/2011 at £398k).

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	8,653	
18,444	7	44,603	
156		79	
0		25	
40,468			63,340
Income			
(20,555)		(20,836)	
(484)		(491)	
(821)		(823)	
(4,231)		(875)	
(26,091)			(23,024)
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)
104			(4,173)
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
(27)			140
14,454			36,282
(Surplus) / Deficit for the Year on HRA services			

Please Note: The Council's previous accounting policy of making "Contribution towards expenditure" from "HRA subsidy payable" classification used in 2009/10, not used in 2010/11.

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)	
<u>Adjustments between accounting basis and funding basis under regulations</u>			
14,849		41,579	
(467)		(429)	
656		(3,830)	
(343)	4	(835)	
241			203
<u>Transfers to / from reserves</u>			
(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	298,403	296,999
Sheltered Housing Offices	193	191
Land	13	13
Shops	515	504
Total	299,123	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>
HRA assets- depreciation	3,595	3,024
HRA assets - impairment	14,849	41,578
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
Major repairs allowance (2009/10 included in line above)	-	3,709
Total	(12,379)	(8,653)

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
<u>Income</u>			
135,017		139,472	
15,516		16,498	
2		(2)	
73,514	3	69,214	
224,049			225,183
<u>Expenditure</u>			
Precepts and Demands (in year)			
129,901	4	134,646	
13,218	4	13,783	
7,676	4	7,849	
150,795			156,279
Business Rates:			
73,149		68,889	
330		325	
73,479			69,214
Bad and doubtful debts:			
0		287	
401		(196)	
401			91
244	5		199
224,919			225,783
(870)	Movement on Fund Balance		(601)
(43)	Surplus/(Deficit) Balance Bought Forward		(913)
(913)	Surplus/(Deficit) Balance Carried Forward	5	(1,514)

<u>Movement in year:</u>			
(539)	Surplus/(deficit) generated in year (Central Bedfordshire Council)	(346)	
(87)	Surplus/(deficit) generated in year (Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority)	(56)	
(626)	Total in Year Surplus/(Deficit)		(402)
(210)	Distribution of prior year surplus/(deficit)- Central Bedfordshire Council	5	(171)
(33)	Distribution of prior year surplus/(deficit)- Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority	5	(28)
(870)	Movement in year		(601)

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	(208)	(170)
* Bedfordshire Police Authority	(23)	(19)
* Bedfordshire & Luton Combined Fire Authority	(13)	(11)
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	(85)
Bedfordshire Police Authority	2010/11	-
Bedfordshire & Luton Combined Fire Authority	2009/10 and prior	(49)
Bedfordshire & Luton Fire Combined Authority	2010/11	-
Total recorded within debtors		(134)
Central Bedfordshire Council	2009/10 and prior	(779)
Central Bedfordshire Council	2010/11	-
Total recorded within the Collection Fund Adjustment Account		(779)
Balance 31st March		(913)

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 / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code).

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.

.....
Charles Warboys
Chief Finance Officer

Date: 26/09/2011

I confirm that the Statement of Accounts were approved by the Audit Committee of Central Bedfordshire Council at its meeting on 26th September 2011.

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

Date: 26/09/2011

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 e-zine, 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:

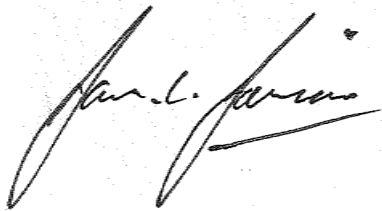
- Delivering stable service solutions that are fit for purpose and that will enable Frontline Directorates to improve and develop their services, and indeed drive out the necessary efficiencies to balance their increasingly pressurised budgets.

- 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

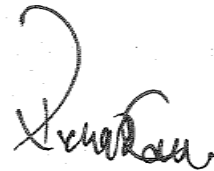
This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2010/11.

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

Dated 15th June 2011



R CARR
CHIEF EXECUTIVE

Dated 15th June 2011

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

Opinion on the Authority accounting statements

I have audited the accounting statements of Central Bedfordshire Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Central Bedfordshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Central Bedfordshire Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper

arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Central Bedfordshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Central Bedfordshire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King
Officer of the Audit Commission

Audit Commission,
3rd Floor,
Eastbrook,
Shaftesbury Road,
Cambridge CB2 8BF

September 2011

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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APPENDIX B

Paul King
District Auditor
Audit Commission,
3rd Floor,
Eastbrook,
Shaftesbury Road,
Cambridge CB2 8BF

Fax no:
Your ref:
Our ref:
Date: 26 September 2011

Dear Paul

Central Bedfordshire Council - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Central Bedfordshire Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom and International Financial Reporting Standards, which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

(i) Capital Financing – MRP

This misstatement will not be corrected within the accounts due to the immaterial nature of the item.

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Bedfordshire SG17 5TQ

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(ii) Amounts Due From and To Bedford Borough Council

The potential accruals misstatement has not been corrected within the final accounts due to the nature of the item.

(iii) Collection Fund Adjustment Account

The Collection Fund Adjustment Account misstatement has not been amended within the accounts as this related to a prior year error that has been resolved within the 2010/11 closing balances.

(iv) Pension Fund

The Pension Fund liability has not been restated within the accounts as this misstatement is due to timing differences in the production of actuarial information and does not alter the overall financial position of the authority.

(v) Trading Operations

This misstatement will not be corrected within the accounts due to the immaterial nature of the item.

(vi) Cut Off Testing

The potential misstatement has not been corrected within the final accounts due to the nature of the error.

(vii) Debtors – Housing Benefit

The Debtors – Housing Benefit misstatement has not been amended within the accounts due to the immaterial nature of the item. This misstatement is due to timing differences in the production of the estimates included in the accounts and the final agreed position. The estimates were calculated on a reasonable basis and the misstatement does not impact upon the main financial statements.

(viii) Debtors – NNDR3

The Debtors – NNDR3 misstatement has not been amended within the accounts due to the immaterial nature of the item. This misstatement is due to timing differences in the production of the estimates included in the accounts and the final agreed position. The estimates were calculated on a reasonable basis and the misstatement does not impact upon the main financial statements.

(ix) Cash and Bank

This misstatement will not be corrected within the accounts due to the immaterial nature of the errors.

(x) Property Plant and Equipment

The Fixed Assets misstatement has not been corrected within the final accounts due to the nature of the error and the assurances provided over the residual fixed asset base.

(xi) Note 7 – Other Adjustments

This misstatement, that is related to the Capital Adjustment Account, will not be amended within the accounts due to the immaterial nature of the item and does not alter the reader's understanding of the accounts.

(xii) Disclosure Notes

This misstatement will not be amended as the 1 April 2009 balances for items such as debtors and creditors are already included as comparator information within the balance sheet.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

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All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Specific representations (as included last year)

There are no material onerous contracts that should be provided for under FRS12 other than those which have been properly recorded and disclosed in the financial statements.

I confirm that the Council did not enter in to any financial guarantees during the year.

Related party transactions

I confirm that I have disclosed the identity of Central Bedfordshire Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Central Bedfordshire Council

I confirm that this letter has been discussed and agreed by the Council's Audit Committee on 26 September 2011.

Signed

Name C P Warboys

Position Chief Finance Officer (s.151)

Date

Central Bedfordshire Council

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

Telephone 0300 300 8000
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Meeting: Audit Committee
Date: 26 September 2011
Subject: Quarter 1 Risk Report
Report of: Peter Fraser – Head of Partnerships and Community Engagement
Summary: The purpose of this report is to give an overview of the Council's risk position as of the end of quarter 1 2011/12. This was requested by the Audit Committee on 4 April 2011.

Contact Officer: Peter Fraser, Head of Partnerships and Community Engagement
Public/Exempt: Public
Wards Affected: All
Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

Good risk management enables delivery of CBC policy aims and objectives. Good risk management ensures that we adopt a planned and systematic approach to the identification and control of the risks that threaten the delivery of objectives, protection of assets, or the financial wellbeing of the Council.

Financial:

There are no direct financial implications.

Legal:

There are no direct legal implications.

Risk Management:

There are no specific risks. The Audit Committee has, in its terms of reference, the responsibility to monitor the operation of risk management within CBC and to provide independent assurance on the adequacy of the risk management framework.

Staffing (including Trades Unions):

There are no direct staffing issues

Equalities/Human Rights:

There are no direct implications to equalities/human rights.

Community Safety:

There are no specific community safety implications with regard to this strategy.

Sustainability:

There are no direct sustainability issues.

RECOMMENDATION:

That the Audit Committee note the risks facing Central Bedfordshire Council, as contained in the risk summary dashboard attached at Appendix A.

Background

1. The Audit Committee, in its terms of reference, has the responsibility to approve the Risk Management Policy Statement, and monitor the operation thereof. At its meeting on 4 April 2011 the Audit Committee agreed and endorsed the Council's 2011/12 Risk Management Strategy. In order to meet the responsibility of monitoring the operation of the Risk Management Policy Statement the Committee requested a quarterly risk report.
2. The purpose of this report is to give an overview of the Council's risk position as of the end of quarter 1 2011/12. The quarter 1 risk summary dashboard is attached at Appendix A.
3. The risk summary dashboard highlights the Council's twelve strategic risks. The number of strategic risks has reduced from thirteen to twelve over the last quarter as a result of a Transparency Agenda risk being reviewed and removed. The risk was no longer considered to be strategic in nature.
4. The two risks with the highest residual exposure continue to be financial pressures (STR0001) and staffing (STR0004). These risks relate to the Council's ability to achieve its efficiencies targets and the impact on staff of any subsequent reduction in resources.
5. The growth agenda risk (STR0003) has been reviewed. Although the residual risk score remains the same, an additional mitigating action has been added, which is: "Endorse for development control the submission version of the Core Strategy as an interim planning framework".
6. The risk summary dashboard also highlights the top operational risks facing the Council. These have been drawn directly from Directorate risk registers as uploaded onto the JCAD risk management system. Please note that the report highlights only the top ten, and not all of the operational risks faced and managed by the Council. The highest rated risk on the Directorate's registers relates to the payroll contract.

7. In line with best practice, CMT is planning a full and fundamental review of the risks that appear on the strategic risk register. This will happen in late September. It is therefore likely that the quarter 2 risk report will contain a number of different risks and scores.

Appendices:

Appendix A – Quarter 1 risk summary dashboard

Background Papers: (open to public inspection)

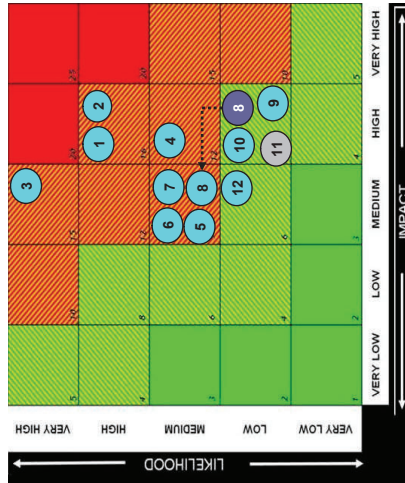
CBC Constitution – Part I2 (Code of Financial Governance)

Location of papers: Priory House, Chicksands

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APPENDIX A

CBC Strategic Risk Register Matrix - Residual Risk Rating



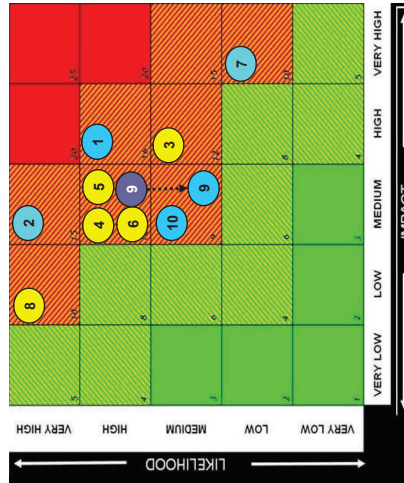
#	Reference	Nature of Risk	Key
1	STR0001	Financial Pressures	
2	STR0004	Staffing Issues	
3	STR2002	Adult Social Care Service Effectiveness	
4	STR0003	Growth Agenda	
5	STR0006	Health and Safety	
6	STR0005	Waste	
7	STR0008	Failure of ICT Applications	
8	STR0010	Shared Services	
9	STR0011	Protecting Children	
10	STR0009	Partnerships	
11	STR0007	Contracts/ Commissioning	
12	STR0013	Information Management	

Key:

- New Risk
- Current Position
- Previous Position
- Accepted Level of Risk

Reference	Strategic Risk Tracker					
	2011/12			2012/13		
	Feb	June	Aug	Nov	Feb	Aug
STR0001	20	16	16			
STR0004	15	15	16			
STR2002	12	15	15			
STR0003	12	12	12			
STR0006	9	9	9			
STR0005	12	9	9			
STR0008	8	9	9			
STR0010	8	8	9			
STR0011	8	8	8			
STR0009	8	8	8			
STR0007	8	8	8			
STR0012	6	6	6			

CBC Top Operational Risks - Residual Risk Rating



#	Reference	Nature of Risk	Key
1	CSS020002	Payroll contract	
2	SUC03006	Highways - Approvals/budget allocations	
3	CHS0004	Children's Services Business Continuity	
4	CHS0005	CS - Failure to retain & recruit staff	
5	SUC010002	Historical Planning Applications online	
6	SUC020001	Library Service unable to operate	
7	SUC030001	Highways winter maintenance	
8	SUC010003	Key LDF documentation found unsound	
9	CHS0001	ICT change in Children's Services	
10	SUC040001	Waste data management	

Reference	Top Operational Risk Tracker					
	2011/12			2012/13		
	Feb	June	Aug	Nov	Feb	Aug
CSS020002	16	16	16			
SUC03006	15	15	15			
CHS0004	12	12	12			
CHS0005	12	12	12			
SUC010002	12	12	12			
SUC020001	12	12	12			
SUC030001	10	10	10			
SUC010003	10	10	10			
CHS0001	12	12	9			
SUC040001	9	9	9			

Assessing Impact

Impact Score	Description	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, financial loss over £5m, key person resignation/removal, sustained adverse publicity in national media, fatality or permanent disability
4	Severe	All operational areas of a location compromised, other than the location itself, significant adverse publicity in national media, greater than 6 months absence for more than 5 people (single event)
3	Major	Disruption to a number of operational areas within a location and possible flow on to other locations, financial loss up to £1m, significant adverse publicity national media, greater than 20 days absence for more than 5 people (single event)
2	Reasonable	Financial loss up to £250k, significant adverse publicity in local media, short term absence for up to 5 people (single event)
1	Low	Minimal interruption to service, financial loss up to £100k, minor adverse publicity in local media, short term absence for up to 5 people (single event)

Assessing Likelihood

Scale	Description	Likelihood of Occurrence
5	Almost Certain	Likely to occur each year/over 60% chance of occurrence
4	Likely	Likely to occur every 3 years/up to a 60% chance of occurrence
3	Possible	Likely to occur every 5 years/up to a 40% chance of occurrence
2	Unlikely	Likely to occur every 10 years/up to a 20% chance of occurrence
1	Rare	Likely to occur every 10+ years/up to a 10% chance of occurrence

Overview of Risk Position - August 2011

There has been little movement on the strategic risk register since it was last reviewed by CMT. The Transparency risk (STR0012) has been reviewed and retired as it is no longer considered strategic in nature. STR0010 (protecting children) has changed in score, as a result of changes to the linked operational risk the residual score has been amended from an 8 to a 9. The two risks with the highest residual exposure continue to be financial pressures (STR0001) and staffing (STR0004). The residual risk score on both of these remains at 16. The growth agenda risk (STR0003) has been reviewed. Although the residual risk score remains the same, the mitigating action "Endorse for development control" the submission version of the Core Strategy as an interim planning framework has been added.

The matrix to the left highlights the most noteworthy operational risks facing CBC. The highest rated risk on the Directorate's registers relates to the payroll contract. There is a risk that, as a result of current systems and processes, the council fails to pay staff on time. This would result in low morale, reputational damage and additional costs. Five new risks appear in the top operational risk tracker. These relate to business continuity in Children's Services (CHS0004). Failure to retain and recruit staff in Children's Services (CHS0005), data protection of historical planning applications held online (SUC010002), the Library service (SUC02001) and a key LDF document being found unsound following public examination (SUC010003).

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Meeting: Audit Committee
Date: 26 September 2011
Subject: Internal Audit Progress Report
Report of: Chief Finance Officer
Summary: This report provides a progress update on the status of Internal Audit work for 2011/12.

Contact Officer: Kathy Riches, Head of Audit
Public/Exempt: Public (with Appendix B exempt)
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.

Legal:

None directly from this 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.

RECOMMENDATIONS:

That the Audit Committee:

- a) note the progress made to date, and**
- b) approve the proposed revisions to the 2011/12 Plan.**

Background

1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of financial and other management controls.
2. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
3. The Audit Committee approved the 2011/12 Audit Plan in April 2011. This report provides an update on progress made against the plan up to 31st August 2011.

Updated Internal Audit Plan

4. Internal Audit has risk reviewed the audit plan following discussions with senior officers and has made some changes to the plan that was approved by the Audit Committee in April. The IT audit plan has been reviewed with the Chief ICT Officer. The Information Security and Desk Top Security audits will be combined and a total of 20 days allocated to the combined piece of work. The 5 days saved by combining these two pieces of work will be added to the SAP Access and Authorisation audit, making 15 days available for this review. The review of Financial Management within Social Care, Health and Housing has been deferred to next year, at the request of the Director.
5. The secondment of a member of the Internal Audit Team to Finance to assist with the SAP Optimisation/Recovery Plan has been extended. This may impact on the delivery of the audit plan but is utilising the skills of audit staff to support the finance function. The secondment was made at the request of the Assistant Chief Executive – Resources.
6. Internal Audit will continue to review and reassess risks in the light of changes in funding and legislation and will bring any further revisions to the Committee for approval.

7. Some reviews have been scoped as ongoing assurance work. These include:
- Sustainability - Carbon Reduction – Assurance on Carbon Reduction Project.
 - Finance Recovery – Assurance on implementation of targets and milestones.
 - Integrated Children’s Services (ICS) Programme Board Project Assurance.

The scope of the assurance role will be defined and Internal Audit will feedback the outcome of this work to the service areas on a regular basis, to enable any issues identified to be addressed on a timely basis. These reviews will not, therefore, have an audit opinion.

Progress on the 2011/12 Internal Audit Plan

Managed Audits

8. The 2010/11 Managed Audit reviews have now been finalised. Some draft Phase 2 opinions were reported to the June Audit Committee. The final audit opinions are set out in Appendix A. As reported to the June Audit Committee, work on the 2010/11 Asset Management review was delayed due to the availability of finance staff, who were focusing on the year end closure. The current work being undertaken will consider the control environment for both 2010/11 and the current year.
9. Internal Audit has prepared and agreed briefs for the majority of the 2011/12 managed audits and work has commenced on updating the systems documentation.
10. The work on managed audits will be undertaken in two phases;
Phase 1 – This will include the follow up of recommendations made in the 2010/11 reviews, systems documentation and walkthrough testing to confirm the system, and substantive testing of transactions covering the period April – October.
Phase 2 – This will include substantive testing covering the period November – March.
Where previous audit reviews have resulted in adequate assurance opinion and where there are no significant system changes the level of detailed audit testing will be rationalised accordingly.
11. The findings of the Phase 1 reviews will be reported to the January Audit Committee.

Other Audit Work

12. In addition to work on managed audits, work has been finalised on the Purchasing Cards review, the Contracts Register, IT Governance, and Travelling and Subsistence. In each case the opinion given was adequate. The internal audit of the Luton and South Bedfordshire Partnership Grant claim has also been undertaken, and no issues of concern were identified.
13. A number of other reviews are currently progressing, and these are summarised at Appendix A.

National Fraud Initiative (NFI)

14. We continue to complete work around the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes and then investigating any of the positive matches.
15. The review of Single Person's Council Tax Discount against the Electoral Roll undertaken by the Head of Revenues and Benefits has now been concluded. In total, approximately 1,100 Single Person's Discounts were cancelled, resulting in a saving of approximately £400,000, which benefits the Council Tax Collection Fund. This represents a 5% cancellation rate.
16. Work on other NFI data matches is ongoing and any resulting savings will be reported to a future committee meeting.

Fraud and Special Investigations

17. Three investigations have been concluded since the last Committee. The outcomes of these reviews are summarised at Appendix B.
18. There is one investigation ongoing, the outcome of which will be reported to a future committee meeting.

Schools

19. The rolling programme of school audit visits has continued. Since the last committee, final reports have been issued for 2 schools. Draft reports have been issued for 6 schools.
20. Although the mandatory requirement for schools to comply with the Financial Management Standard in Schools (FMSiS) was abolished in October 2010, a number of schools requested that assessments in progress were completed. This work has now been substantially concluded.

Performance Management

21. The Internal Audit Charter requires Internal Audit to report its progress on some key performance indicators.
22. The indicators include both CBC audit activities and school audit activity.

23. **Activities for 1 April 2011 – 31 August 2011**

KPI	Definition	Current Year		Previous Year		Annual target
		Current Period to 31 August 2011		April – August 2010		
		Actual	Target	Actual	Target	
KPI01	Percentage of total audit days completed.	33%	35%	30%	35%	80%
KPI02	Percentage of the number of planned reviews completed.	26%	30%	22%	30%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	62%	80%	52%	80%	80%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	53%	80%	38%	80%	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.	100%	80%	100%	80%	80%
KPI06	Overall customer satisfaction	86%	80%	87%	80%	80%

24. Analysis of indicators:

KPI01 – In the first five months we have delivered a total of 490 productive audit days against a total of 1,500 planned days for the year, which is slightly below target, but reflects the extended secondment of a senior auditor to Finance.

KPI02 – This KPI measures final reports issued to date, 26% of the planned reviews have been completed to final report stage along with milestones reached for managed audit work. Work is in progress on the managed audits, school visits, and a number of other reviews within the plan. This is below target but represents an improvement on last year. Although a number of reviews have been prepared to draft report stage, work to agree actions and finalise the report is still ongoing.

KPI03 – 62% of planned reviews have been completed within the planned time budgets. This is below target but represents an improvement on last year. In some instances the planned reviews have only just exceeded the budget. Action continues to be taken to monitor audit work closely in order to continue to improve performance against this indicator.

KPI04 – This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. As at the end of August, 53% of draft reports were responded to within the target set. However, this represents a significant improvement over the previous period and Internal Audit will continue to work with directorates to encourage a prompt response.

KPI05 – This indicator shows that Internal Audit has continued to issue final reports promptly, once the final response agreeing the report has been received from the auditee.

KPI06 - Of the 33 questionnaires sent out, 8 have been returned to date, giving a response rate of 24%. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 86%.

Conclusion and Next Steps

25. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council, and good progress has been made to date in 2011/12.
26. Further work needs to be undertaken in order to improve the delivery of audits within the planned timescales and to encourage officers to respond to draft audit reports within the required timescales.
27. An update on audit progress will be presented to the next Audit Committee.

**Appendices: Appendix A – Progress on Audit Activity (Public)
Appendix B – Special Investigations Summary (Exempt)**

Background Papers: None

Location of papers: N/A

2011/12 Internal Audit
Plan
Summary of Progress as at 31.08.11

<u>Audit Title</u>	<u>2011/12</u>	<u>Position as at end August</u>	<u>Opinion</u>
	<u>Days</u>	<u>2011</u>	
Managed Audits (Key Financial Systems)			
Accounts Payable/Purchase Ledger	20	Work in Progress	
Accounts Receivable/Sales Ledger	20	Work in Progress	
Asset Management (incl. Asset Register)/Capital Accounting	25	Work in Progress	
Council Tax	30	Work in Progress	
Housing Benefits	45	Work in Progress	
Main Accounting Systems (MAS)	30	Work in Progress	
National Non Domestic Rates NNDR	30	Work in Progress	
Payroll	35	Work in Progress	
SWIFT Financials	15	Not started	
Treasury Management	20	Work in Progress	
Housing Rents	35	Not started	
Cash And Banking (Income)	20	Work in Progress	
Total - Managed Audits	325		
Assurance Audits - Former Office of Chief Executive and Customer and Shared Services			
Partnership Agreements and Joint Working	20	Not started	
Performance Management (i.e. Data Quality Management & BVPIs)	20	2010/11 Follow Up - Work in Progress	
Major Projects	20	Work in Progress	
Budgeting & Budgetary Controls	20	Work in Progress	
Accounts Payable (Purchasing Cards Project)	10	Completed	Adequate
Income Optimisation Assurance	20	Not started	
Debt Collection Arrangements	20	Work in Progress	
Post implementation review of all schools becoming Fully Funded	10	Not started	
Total - Former Office of Chief Executive and Customer and Shared Services	140		
Assurance Audits - Childrens' Services			
Safeguarding Vulnerable Children	20	Not started	
Commissioning	20	Currently being scoped	
Schools General - School Improvement	200	Ongoing. 17 FMSiS assessments finalised. 3 school reports finalised	Various
Total - Childrens' Services	240		
Assurance Audits - Social Care, Health and Housing			
Personalisation/individual Budgets	20	Not started	
Safeguarding Vulnerable Adults	20	Not started	
Commissioning/Contracting	20	Work in Progress	
Local Management of establishments (including Day Centres)	20	Work in Progress	
Financial Management	20	Deferred to next year upon request of director	
Assurance on Client Charging Arrangements	20	Currently being scoped	
Learning Disabilities Grant - Follow up	10	Not started	
Total - Social Care, Health and Housing	130		
Assurance Audits - Sustainable Communities			
Sustainability	15	Currently being scoped	
Total - Sustainable Communities	15		

2011/12 Internal Audit
Plan
Summary of Progress as at 31.08.11

<u>Audit Title</u>	2011/12 Days	Position as at end August 2011	Opinion
Assurance Audits - Governance			
Members Code of Conduct	5	Substantially completed	
Total - Governance	5		
Assurance Audits - Contracts and Partnerships			
Service Level Agreements (Follow Up)	15	Not started	
Contracts Management	20	Work in Progress	
Total - Contracts and Partnerships	35		
Assurance Audits - ICT			
Information Security	10	This will be combined with the Desk Top Security review. Currently being scoped	
SAP Access & Authorisation	10	Not yet started	
Desk Top Security and End Point Compliance	15	See above	
IT Change and Release Management	15	Defer IT Change and Release Management to next year. Days to be used to provide ICS Programme Board Project Assurance	
IT Disaster Recovery (including Network Backup)	15	Not yet started	
SAP Systems	15	Not yet started	
Total - ICT	80		
Special Investigations			
National Fraud Initiative (NFI)	40	Ongoing	n/a
Special Investigations	80	Ongoing	n/a
Pro Active Anti Fraud	20	Not started	
Total - Special Investigations	140		
Ad Hoc Consultancy etc.			
Annual Governance Statement	5	Not started	
Audit of Individual Grants	40	Ongoing - Luton and South Bedfordshire Partnership Grant Claim completed	n/a
General Advice	20	Ongoing	
Contingency	88	Used to support investigations	n/a
Professional Groups	14	Ongoing	n/a
Head of Audit Chargeable Against Plan	58	Ongoing	n/a
Benchmarking Exercise	5	Completed	n/a
Total - Ad Hoc Consultancy etc.	230		
Completion of reviews in progress as at 31st March:	160		
Accounts Payable 2010/11 Phase 2		Completed	Adequate*
Accounts Receivable 2010/11 Phase 2		Completed	Adequate*
Contracts Register 2010/11		Completed	Adequate
Council Tax 2010/11 Phase 2		Completed	Adequate*
Housing and Council Tax Benefits 2010/11 Phase 2		Completed	Limited*
Housing Rents 2010/11 Phase 2		Completed	Adequate
IT Governance 2010/11 (including IT Strategy)		Completed	Adequate
Main Accounting System 2010/11 Phase 2		Completed	Limited*
NNDR 2010/11 Phase 2		Completed	Adequate*
Payroll 2010/11 Phase 2		Completed	Limited*
SAP Access and Security (including IT DR)		Completed	Limited
SWIFT Financials 2010/11		Completed	Limited*
Travelling and Subsistence		Completed	Adequate
Treasury Management 2010/11 Phase 2		Completed	Adequate*

2011/12 Internal Audit
Plan
Summary of Progress as at 31.08.11

<u>Audit Title</u>	2011/12 Days	Position as at end August 2011	Opinion
Local Management of Day Centres		Completed awaiting review	
Section 106		Substantially completed	
Declaration of Interests		Ongoing	
Contracts Management - Amey		Substantially completed	
TOTAL CHARGEABLE DAYS REQUIRED	1500		
* indicates draft opinion reported to June Committee			

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Meeting: Audit Committee
Date: 26 September 2011
Subject: Tracking of Audit Recommendations
Report of: Chief Finance Officer
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
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 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 August 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 A 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. Since the reports were issued prior to the recent directorate restructure, the former directorate names are stated.

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	52	3	5	4	1	65	87
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	9	0	0	1	0	10	13
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, 13% are ongoing with target missed within the agreed timescales.

6. Appendix C provides details of the 10 high risk recommendations contained in Table 1 where implementation of the recommendation is running behind planned completion dates. The appendix includes the rationale behind the audit recommendation and an explanation for the reason for the slippage.
7. Appendix B sets out the reports issued since the April Audit Committee 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	15	0	11	0	1	27	82
Ongoing-On schedule for completion within timescales GREEN	0	0	1	0	0	1	3
No work started Within target GREEN	0	0	0	0	0	0	0
Ongoing with deadline missed AMBER	3	0	2	0	0	5	15
No work started Deadline missed RED	0	0	0	0	0	0	0
Total Recs.	18	0	14	0	1	33	100

- 9. Appendix D provides the details of the 5 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.

Conclusion

13. 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.
14. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
15. 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 A – Details of monitoring of High Priority Internal Audit recommendations (2010/11)

Appendix B - Details of monitoring of High Priority Internal Audit recommendations- Reports issued since April Audit Committee

Appendix C - Details on those recommendations that are outstanding 2010/11

Appendix D - Details on those recommendations that are outstanding – Reports issued since April Audit Committee

Background Papers: None

Location of papers: N/A

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**Details of Monitoring of High Risk Internal Audit recommendations as at End August 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	6	0	0	0	0	
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 R1
National Non Domestic Rates 2009-10	26/07/10	31/12/10	5	4	0	1	0	0	See R2
Payroll 2009-10	26/07/10	30/09/10	10	9	0	1	0	0	See R3
SWIFT Financials 2009-10	23/08/10	30/09/10	4	0	0	4	0	0	See R4-7
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 R8
SAP Access and Security (incl IT DTR0 2009/10)	11/10/10	31/12/10	3	2	0	1	0	0	See R9
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	52	0	9	0	0	
				85%	0%	15%	0%	0%	

**Details of Monitoring of High Risk Internal Audit recommendations as at End August 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 R10
Total			5	4	0	1	0	0	
				80%	0%	20%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End August 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 August 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			3	3	0	0	0	0	
				100%	0%	0%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End August 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	3	0	1	0	0	See R1
Service Level Agreements	13/04/11	31/07/11	4	3	0	1	0	0	See R2
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 R3
Total			18	15	0	3	0	0	
				83%	0%	17%	0%	0%	

Details of Monitoring of High Risk Internal Audit recommendations as at End August 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	11	1	2	0	0	See R4-5
Total			14	11	1	2	0	0	
				79%	7%	14%	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%	

Appendix C

**Details on those recommendations outstanding
Status – all Amber (Ongoing with deadline missed)**

Former Customer and Shared Services

Main Accounting System 2009/10

<p>Recommendation R1 : The financial procedures for asset management, debt recovery, leasing, insurance and risk management should be documented if not already done so, published on the Intranet, and regularly reviewed and maintained on the Intranet thereafter.</p>
<p>Rationale for Recommendation: The Systems Documentation and Walkthrough Testing review 2009/10 identified that the financial procedures for asset management, debt recovery, leasing, insurance and risk management had not been documented and published on the intranet.</p>
<p>Target Dates: End August 2010. End July 2011 (revised) October 2011 (revised)</p>
<p>Current Position and Explanation for Slippage: There is an ongoing process to review all financial procedures. There has been a planned deferral of this work in order to focus on closure of accounts, which has been the key priority. Drafts of revised financial procedures have been prepared and are in the process of being reviewed.</p>

National Non Domestic Rates (NNDR) Managed Audit

<p>Recommendation R2 : The Head of Revenues should continue to liaise with the Head of Financial Management to ensure that the allocation of the outstanding internal NNDR debt is expedited by Finance and that the required journal vouchers are raised and actioned.</p>
<p>Rationale for Recommendation: The unrecovered NNDR to date may be overstated, and there may be a risk to budget monitoring using SAP for individual cost centres.</p>
<p>Target Dates: End April 2010 End of March 2011 (revised) End of July 2011(revised) End of December 2011</p>

End August Position
7/09/2011

Current Position and Explanation for Slippage:

There remains a total of £225,000 historical unallocated internal debt covering fewer than 50 properties and work is ongoing with colleagues in the Assets Section to address this.

Payroll 2009/10

Recommendation R3:

It should be ensured that timesheets and travel claims are appropriately approved prior to payment.

Rationale for Recommendation:

The authorised signatory list of managers is incomplete, which hinders the ability to check the authorisations on expenses and travel claims thoroughly.

Target Dates:

August 2010.
September 2011.(revised)
March 2012.(revised)

Current Position and Explanation for Slippage:

A master data review is currently being undertaken, to ensure this remains up to date following organisational restructuring and changes. This forms part of the Finance Recovery Programme which includes SAP Optimisation and has an expected completion date of March 2012.

Once this exercise has been completed HR will enforce the process of checking signatures through SERCO contract management. Further SAP optimisation may reduce the reliance on manual checking of signatory lists.

SWIFT Financials 2009/10

Recommendation R4:

Password controls should be enhanced to ensure that the SWIFT system enforces the selection of passwords. Passwords should comprise:

- A minimum password length
- Both numerical and alpha characters (additionally enforcing the use of special characters, upper and lower case would further enhance password controls).

Rationale for Recommendation:

Password controls in SWIFT were weak in that (a) they can be re-used, (b) do not have to conform to a standard, (c) do not expire after a set period and (d) as a result users are not denied access because their password is invalid.

Target Dates:

August 2010.
August 2011.(revised)
October 2011 (revised)

Current Position and Explanation for Slippage:

Progress has been dependent upon the third party supplier of the software package providing an upgraded release that contains the functionality that can be configured to meet the requirements set out in the recommendation. In addition, the development and testing of revised concealment of data requirements to improve system performance and upgrading to Version 26.1 (the system version pre-requisite) of SWIFT took priority in the work plan.

Compliance testing in respect of new SWIFT password functionality has been undertaken and the ability to enforce a minimum password length and require a numerical character as part of a password is now available. Further testing to enhance password security continues in consultation with the Council's third party partner.

Recommendation R5:

Password controls should be enhanced to ensure that the SWIFT system requires users to change their passwords regularly (e.g. every 30 days).

Rationale for Recommendation:

Password controls in SWIFT were weak in that (a) they can be re-used, (b) do not have to conform to a standard, (c) do not expire after a set period and (d) as a result users are not denied access because their password is invalid.

Target Dates:

August 2010.
August 2011.(revised)
October 2011.(revised)

Current Position and Explanation for Slippage:

Progress has been dependent upon the third party supplier of the software package providing an upgraded release that contains the functionality that can be configured to meet the requirements set out in the recommendation. In addition, the development and testing of revised concealment of data requirements to improve system performance and upgrading to Version 26.1 of SWIFT (which should strengthen password controls) took priority in the work plan.

Compliance testing in respect of new SWIFT password functionality has been undertaken and the ability to enforce password expiry is now available. Further testing to enhance password security continues in consultation with the Council's third party partner.

<p>Recommendation R6: The SWIFT IT team should provide reports of users who have not changed their passwords within the past 45 days to local management to confirm that access rights are still appropriate for the nominated users. Unused accounts should be disabled or removed.</p>
<p>Rationale for Recommendation: The procedures for advising of leavers do not always take account of temporary staff. There were 1220 users on the SWIFT database but there is no assurance that they were all current and bona fide employees. The report of users who have not changed their passwords within the past 45 days is not used to establish whether access rights for those users are still appropriate.</p>
<p>Target Dates: August 2010. November 2011(revised)</p>
<p>Current Position and Explanation for Slippage: A 'Request For Change' has been raised and a report will be developed. Team Leaders will be requested to review and provide responses. The implementation of this recommendation has been reviewed as part of the 2010/11 Managed Audit Phase 1 review. It has been delayed due to other key priorities taking precedence. This includes the development and testing of revised concealment of data requirements to improve system performance and upgrading to Version 26.1.</p>

<p>Recommendation R7: When the SWIFT database has been disaggregated the option to allow the relevant budget holder to give workflow approval to help ensure that payments are correctly authorised against the correct cost centre should be enabled.</p>
<p>Rationale for Recommendation: The functionality within SWIFT to enable budget holders to authorise the financial element of care packages on-line has not been enabled. A business process is being developed to replace the panel authorisation with a system in which the workflow will be sent to the budget manager of the cost code recorded on the provision for authorisation.</p>
<p>Target Dates: September 2010. October 2011(revised).</p>
<p>Current Position and Explanation for Slippage: This has been delayed due to other key priorities taking precedence. This includes the development and testing of revised concealment of data requirements to improve system performance and upgrading to Version 26.1 of SWIFT.</p>

The project implementing this recommendation for Adults is RP203: Integrated Finance & Business Processes. Despite the continuing challenges arising from the complexities of milestones, progress continues to be made, laying strong foundations for the future and is currently still on target for delivering this aspect in October 2011.

Children's Services are currently reviewing their system requirements so on-line authorisation for Children's Services is not being implemented at all at this point. The only financial data recorded on SWIFT at present is fostering allowances, residence order, special guardianship and adoption payments. Reports are run and managers sign their authorisation on these prior to the payments being uploaded to SAP.

Teachers' Pensions

Recommendation R8:

Monthly Return Summaries submitted by schools should be retained by HR and filed in date order with the TP2 and TP3 forms. Any non returns could then be identified and pursued with the schools.

Rationale for Recommendation:

The extent of non- returns and the ability to 'chase' these with schools has an impact on the completeness of LA records.

Target Dates:

31 March 2011

1 October 2011(revised)

Current Position and Explanation for Slippage:

This is on target to be completed by the revised date. Further mapping of processes and communication with schools has been undertaken.

SAP Access and Security (incl. IT DR) Managed Audit

Recommendation R9:

A Disaster Recovery Plan should be developed and approved. As a minimum, this should include;

- the identification and prioritisation of key IT systems
- the roles and responsibilities of relevant officers and third party suppliers
- a set of IT procedures which should be executed initially to react to crises/disaster
- escalation procedures
- salvage procedures that deal with retrieval of items from affected sites
- the recovery and reconfiguration of all IT and communication systems
- details of additional accounts where monies may be sourced to aid recovery efforts
- a schedule in respect of the testing of the plan

Rationale for Recommendation:

During 2009/10, there was no Disaster Recovery Plan. Recovery from the server failures in February 2010 gave highest priority to restoration of the IT infrastructure. Meetings and telephone conversations with Heads of Services and Directors were held to agree the recovery plan / priorities and time scales. No IT Disaster Recovery Strategy was found to be documented to describe the role and development of a Disaster Recovery Plan and to improve the recovery options of IT systems.

Target Dates:

December 2010.
December 2011 (revised).

Current Position and Explanation for Slippage:

Work has not yet commenced. The primary focus of the ICT Infrastructure work since Dec 10 has been the rectification of instabilities in the core technologies. The development of the DR Plan (outline and full) will be completed as part of the ICT Stability Project. The inclusion of this work within the ICT Stability Project reflects the dependency on a number of pre-requisites that will be deliverable by the project including standard operating procedures for design definition and implementation. The outline DR plan is due for completion during Dec 2011, with a full DR Plan due by September 2012.

Sustainable Communities

Leighton Buzzard Theatre

Recommendation R10:

A suite of clearly defined targets should be established and regularly monitored for the theatre that align with the Council's theatre policy, Council's strategic objectives, and budgetary control objectives.

Rationale for Recommendation:

No targets, both financial and non-financial, have been established for theatre activities.

Target Dates:

December 2010.
September 2011.(revised)

Current Position and Explanation for Slippage:

The Arts Review will be complete by the end of September. This will provide Policy context and direction.

The budget is now fully under control of the Arts Team Manager this enables target setting in relation to the income targets. Detailed analysis of sales & costs now takes place on a monthly basis. This analysis directs programme planning as it identifies which categories of events generate the best income.

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Appendix D

Details on those recommendations outstanding since April Audit Committee

Status – All Amber – Ongoing with target missed.

Customer & Shared Services

Housing & Council Tax Benefits

<p>Recommendation R1: 'Interventions' should be checked in accordance with DWP best practice.</p>
<p>Rationale for Recommendation: Invalid claims may not be detected, leading to overpayments and/ or benefit fraud.</p>
<p>Target Dates: End of March 2011 End of July 2011 (revised) End of October 2011 (revised)</p>
<p>Current Position and Explanation for Slippage: Intervention work re-commenced in August 2011. The only remaining action is to review the methodology for calculating interventions to plan future intervention work.</p>

Internal Audit: Service Level Agreements

<p>Recommendation R2: All outstanding income relating to SLAs to be pursued with BBC in co-ordination with service areas.</p>
<p>Rationale for Recommendation: Charges for services delivered may not be recovered, and late payment may have a detrimental effect on the Council's cash flow.</p>
<p>Target Dates: 31st May 2011 31st July 2011 (revised) 31st October 2011(revised)</p>
<p>Current Position and Explanation for Slippage: Good progress has been made on the outstanding debts between the two Councils and as of July 2011 approximately £2.3 million was owed by Bedford Borough Council to CBC with normal business levels of debt expected by end of October 2011.</p>

Accounts Payable 2010/11 Phase 1

Recommendation R3:

The Financial Scheme of Delegation should be updated and maintained in a timely and appropriate manner.

Rationale for Recommendation:

The Financial Scheme of Delegation available within the Chief Accountant's team was not up to date as the names of 9 signatories including an Assistant Director were not on the list.

Target Dates:

April 2011.

September 2011(revised).

March 2012(revised).

Current Position and Explanation for Slippage:

A master data review is currently being undertaken. Following on from this a review to update authorised signatories will also be undertaken. This forms part of the Finance Recovery programme which includes SAP optimisation and has an expected completion date of March 2012.

Once this exercise has been completed HR will enforce the process through SERCO contract management.

Children's Services

Bedfordshire Music Service

<p>Recommendation R4: In conjunction with the inventory check, the condition of all assets should be confirmed prior to disaggregation.</p>
<p>Rationale for Recommendation: Currently assets are only checked by the peripatetic teacher on a weekly basis. No independent check is carried out.</p>
<p>Target Dates: 30th April 2011. 30th June 2011(revised) 30th September 2011 (revised)</p>
<p>Current Position and Explanation for Slippage: The condition was confirmed prior to disaggregation. There is a process in place to check and update the condition of all assets.</p>

<p>Recommendation R5: Future KPIs should be reviewed to consider the qualitative aspects of the service, and should be linked to the Council's priorities and the Children and Young People's Plan. Any critical KPIs should be highlighted.</p>
<p>Rationale for Recommendation: There is a risk that the direction and qualitative aspects of the service are not clearly defined.</p>
<p>Target Dates: 1st September 2011 31st October 2011 (revised)</p>
<p>Current Position and Explanation for Slippage: Central government guidance through a National Music Plan was expected in July but this has been delayed to the Autumn. CBC will be guided by these plans to set future performance targets for the Music Service. In the interim targets are being set regarding uptake of lessons/musical activity, progress of pupils and efficiency of delivery.</p>

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