

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



**please ask for** Leslie Manning  
**direct line** 0300 300 5132  
**date** 14 June 2012

## **NOTICE OF MEETING**

### **AUDIT COMMITTEE**

Date & Time

**Monday, 25 June 2012 9.30 a.m.**

Venue at

**Room 15, Priory House, Chicksands, Shefford**

Richard Carr  
**Chief Executive**

To: The Chairman and Members of the AUDIT COMMITTEE:

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

[Named Substitutes:

R D Berry, N B Costin, I Shingler 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 2 April 2012 (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

<b>Item</b>	<b>Subject</b>	<b>Page Nos.</b>
7	<b>Central Bedfordshire Statement of Accounts 2011/12</b>  To consider the draft Statement of Accounts for 2011/12 and approve its issue to the Audit Commission for review.	* 13 - 136

- |    |  |             |
|----|--|-------------|
| 8  | <b>Pre-Statements Memorandum 2011/12</b>   | * 137 - 160 |
|    | To receive the Audit Commission's Pre-Statements Memorandum setting out the findings from its interim audit, including work on financial systems, value for money conclusion and Section 106 monies.                   |             |
| 9  | <b>Audit Committee Update</b>  | * 161 - 174 |
|    | To receive a report by the Audit Commission on the progress made in delivering the 2011/12 audit, any key emerging national issues and matters of interest and an update on the externalisation of the Audit Practice. |             |
| 10 | <b>Internal Audit Annual Audit Opinion</b>   | * 175 - 196 |
|    | To consider the annual report of the Head of Internal Audit and Risk setting out her opinion on the overall adequacy and effectiveness of the Council's financial and other management internal controls.              |             |
| 11 | <b>Tracking of Audit Recommendations</b>   | * 197 - 216 |
|    | To receive a summary of the high risk recommendations arising from Internal Audit reports together with the progress made in their implementation.   |             |
| 12 | <b>2012/13 Audit Committee Outline Work Programme</b>  | * 217 - 220 |
|    | To consider a proposed work programme for the Committee for 2012/13.   |             |

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**CENTRAL BEDFORDSHIRE COUNCIL**

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Monday, 2 April 2012

**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: Cllr M R Jones

Officers in Attendance: Mr J Atkinson Head of Legal and Democratic Services  
Mr L Manning Committee Services Officer  
Ms K Riches Head of Internal Audit and Risk  
Mr C Warboys Chief Finance Officer & Section 151 Officer

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

A/11/42 **Minutes**

**RESOLVED**

**that the minutes of the meeting of the Audit Committee held on 23 January 2012 be confirmed and signed by the Chairman as a correct record.**

A/11/43 **Members' Interests**

(a) **Personal Interests:-**

None.

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

None.

**A/11/44 Chairman's Announcements and Communications**

None.

**A/11/45 Petitions**

No petitions were received from members of the public in accordance with the Public Participation Procedure as set out in Annex 2 of Part A4 of the Constitution.

**A/11/46 Questions, Statements or Deputations**

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

**A/11/47 Certification of Claims and Returns - Annual Report 2010/11**

The Committee received the Audit Commission's annual report which summarised the outcome of the Commission's certification work on the Council's 2010/11 claims and returns. The Audit Manager (Audit Commission) took the opportunity to correct a small number of minor typographical errors.

The following matters were set out within the report:

- Summary of 2010/11 certification work
- Results of 2010/11 certification work
- Summary of progress on previous recommendations
- Summary of recommendations
- Summary of certification fees

The Audit Manager commented that the main area of grant certification work was the audit of the Housing and Council Tax Benefit claim. She explained that due to the number of errors found in this claim in previous years a large volume of additional testing was necessary. Whilst the Committee was pleased to note that the claim had been certified by the due date of 30 November 2011, which represented a significant improvement over previous years, Members also noted that there were still large numbers of errors being found in the claim. The Audit Manager stated, however, that she was aware of the ongoing staff training and quality control improvements within the Revenues and Benefits team and that these should contribute significantly to the further reduction in the number of errors.

In connection with the associated recommendation on this issue, as set out within the Audit Commission's report, a Member expressed concern that the impression given was that any problems had now been overcome. In response the Chief Finance Officer assured the meeting that the emphasis was on further training and quality control measures to address the issues highlighted

in the report and that it would be unrealistic to expect all errors to have been eliminated at this point. He added that only 15% of local authorities received an unqualified certification of their Housing and Council Tax Benefit claim and that the Audit Commission's report represented a positive direction of travel for Central Bedfordshire. The Chief Finance Officer stated that the errors themselves often related to the misclassification of over-payments rather than the incorrect assessment of benefits.

## **NOTED**

### **the Audit Commission's annual report on the Certification of Claims and Returns for 2010/11.**

A/11/48

#### **Audit Committee Update**

The Committee received an update report from the Audit Commission on a wide range of issues including the Commission's progress in undertaking work as the Council's external auditors and the externalisation of the Audit Practice.

In connection with the Audit Commission's review of the Council's arrangements for recording, monitoring and reporting on Section 106 monies the Audit Manager (Audit Commission) reported that some potential improvements had been identified and a report on these would be submitted to the June meeting of the Committee.

The Committee next turned to consider the Government's response to consultation on the future of the local public audit and the outcome of the bidding process under the externalisation process for the Audit Practice. In connection with the latter, the District Auditor (Audit Commission) drew the meeting's attention to the success of Ernst & Young LLP in winning the five year contract, to be let from 2012/13, for the Eastern 'lot' which included Central Bedfordshire. He added that Audit Commission staff would transfer to the successful bidder on 1 November 2012 under the TUPE Regulations. It was noted that a decision by the Commission on the final appointment of auditors for individual audits would follow in July 2012 following consultation with local authorities to ensure that there was no good reason to prevent a winning bidder from becoming an authority's auditor.

The Committee noted that relevant local authorities were to be invited to an event on 14 May 2012 at which Ernst & Young would discuss its role as their new auditor and answer any questions that the authorities might have.

Full discussion took place on the issue of quality control and the discharge of responsibilities by Ernst & Young. The District Auditor advised Members that as the Commission's existing staff were to transfer across to Ernst & Young, and though the resourcing of individual audits would be a matter for the company, it was likely, in the short to medium term, that there would be a continuity of audit personnel.

**NOTED****the Audit Commission's Audit Committee update.**

A/11/49

**Annual Governance Statement**

The Committee considered a report by the Head of Legal and Democratic Services which sought Members' comments on the draft Annual Governance Statement for 2011/12.

The meeting noted that the draft Statement was intended to demonstrate how the Council had achieved the principles contained in the Code of Corporate Governance in the current financial year (2011/12).

The Head of Legal and Democratic Services advised that the draft document adopted the same format as that for the previous year and had already been considered and amended by the Corporate Management Team. Further work was required to ensure it reflected the significant governance issues that had been identified. In response to a query he added that the meeting represented the only opportunity for the Committee to comment on the draft Statement before, following further input, it was submitted to the Leader and Chief Executive for formal adoption.

The meeting noted that, in section 2.4 of the draft, the number of complaints regarding breaches of the Code of Conduct had yet to be added to the text. With regard to ethical governance in general the Head of Legal and Democratic Services explained that the current review had been undertaken having full regard to the requirements of the Localism Act.

In connection with section 2.10 b), and the development and improvement of channels of communication with customers and stakeholders, a Member commented on the need to include a reference to ward Members in the text.

A Member referred to the existence under the former Bedfordshire County Council of an audit emergency plan through which a private auditor would provide staff to meet an urgent requirement. The Member queried if it would be possible for Central Bedfordshire Council to reach a similar mutual agreement with other local authorities. In response the Head of Internal Audit and Risk explained that there was a small contingency fund in the budget to buy in additional staff. In addition there were existing informal arrangements with other local authority audit teams and private contractors to provide assistance if so required. Last, she stated that, if necessary, work would be prioritised to meet exceptional circumstances.

**RESOLVED**

**that, subject to the amendment of section 2.4 to include the numbers of Code of Conduct complaints and section 2.10 to include reference to ward Members when improving channels of communication, the draft Annual Governance Statement for 2011/12 be approved as the basis for**



**further input before submission to the Leader and Chief Executive for approval.**

**A/11/50 Internal Audit Progress Report**

The Committee considered a report by the Chief Finance Officer which provided a progress update on the status of Internal Audit work for 2011/12 up to 29 February 2012.

The report set out progress on the following matters:

- Managed audits
- Other audit work
- National Fraud Initiative (NFI)
- Fraud and special investigations
- Schools
- Performance management

The Head of Internal Audit and Risk introduced the report and advised that a summary of activity over the full year would be submitted to the June meeting of the Committee.

**NOTED**

**the progress made against the 2011/12 Internal Audit Plan.**

**A/11/51 2012/13 Internal Audit Charter**

The Committee considered a report by the Chief Finance Officer which presented the Internal Audit Charter for 2012/13 and sought Members' endorsement of it.

The Head of Internal Audit and Risk reported that the document did not contain any significant changes from the content of the 2011/12 Charter endorsed by the Committee in April 2011 (minute A/10/73 refers). However, the opportunity had been taken to update the Charter so it reflected the recent changes in the Council's senior management structure. She also drew Members' attention to a forthcoming update of the CIPFA Code of Practice for Internal Audit in Local Government in 2013. Members were aware that, as the Charter was modelled on the standards set out in the Code of Practice, the Charter would require further updates to reflect any changes to the Code.

A Member sought clarification on the reference in the Chief Finance Officer's report to the use of internal audit for 'consultancy purposes'. In response the Chief Finance Officer explained that this referred to situations when the Audit team was required to employ its specific skills within the Council but in areas outside its normal remit. The decision to so use the Audit team was taken on a case by case basis.

**RESOLVED**

**that the Internal Audit Charter 2012/13 be endorsed.**

A/11/52

**Internal Audit Strategy and Annual Audit Plan for 2012/13**

The Committee considered a report by the Chief Finance Officer which presented the Internal Audit Strategy 2012/13 and the Annual Audit Plan 2012/13 for approval.

The Head of Internal Audit and Risk explained that the Internal Audit Strategy was a high level statement of how the Internal Audit service would be delivered to meet legislative requirements. A Strategy had been produced in April 2010 for the period 2010/13 and refreshed each year to reflect changes in roles and responsibilities. She advised, however, that there had been no fundamental changes to the Strategy.

With regard to the Annual Audit Plan Members noted that the CIPFA Code of Practice for Internal Audit in Local Government stated that a risk based plan designed to implement the Internal Audit Strategy should be produced. A detailed audit needs assessment had therefore been undertaken and this had given rise to the three year strategic plan presented to the Committee in 2010. The document before Members represented the strategic plan's third and final year in the form of the Annual Audit Plan for 2012/13. Members noted that the Plan had been refreshed to reflect changes that had occurred since the original compilation and this process would continue during 2012/13. It was further noted that another strategic plan would be developed, following a detailed, revised audit needs assessment, for adoption in 2013/14.

A Member drew the meeting's attention to typographical errors in the Internal Audit Strategy.

**RESOLVED**

**that, subject to the correction of the typographical errors identified, the Internal Audit Strategy 2012/13 and the Annual Audit Plan 2012/13 be approved.**

A/11/53

**Risk Update Report**

The Committee considered a report by the Chief Finance Officer which provided an overview of the Council's risk position as at March 2012 and sought approval for the 2012/13 Corporate Risk Management Strategy.

The Head of Internal Audit and Risk drew Members' attention to changes in the position of both strategic and operational risks in their respective matrices. In response to a query by the Chairman the Head of Internal Audit and Risk undertook to supply information on why the operational risk relating to Children's Services Business Continuity Plan (CHS0004) no longer appeared as a top ten risk.

A Member queried the absence of any reference to a possible risk to the Council arising as a result of Academies employing the use of permanent exclusions. The Head of Internal Audit and Risk undertook to seek information from Children's Services as to whether this was occurring or was likely to.

Turning to the Risk Management Strategy the Head of Internal Audit and Risk stated that the Strategy had been refreshed for 2012/13. She added that in the past the document had been signed off by the Leader and Chief Executive but it was proposed that, as the Committee was responsible for the Strategy, the Chairman of the Committee should undertake this function instead.

The meeting was advised of two minor typographical errors.

#### **NOTED**

**the strategic and operational risks facing Central Bedfordshire Council as set out in the risk summary dashboard attached at Appendix A to the report of the Chief Finance Officer.**

#### **RESOLVED**

**that, subject to the amendment of typographical errors, the Corporate Risk Management Strategy 2012/13 be approved.**

A/11/54

#### **Tracking of Audit Recommendations**

The Committee considered a report by the Chief Finance Officer which summarised the high risk recommendations arising from Internal Audit reports, outlined how these would be monitored and the progress made on their implementation as at the end of February 2012.

With regard to the Monitoring of Section 106 Agreements a Member queried how the Council was managing the difference in the amount of unapplied capital receipts (currently standing at £19.48M) and liabilities which were increasing at the rate of inflation. In response the Chief Finance Officer undertook to investigate this issue and report to Members on his findings.

Some Members commented on the difficulty in understanding the content of the report appendices and requested that Plain English be used in future. The Chief Finance Officer undertook to do so.

#### **NOTED**

**the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing these as at the end of February 2012.**

(Note: The meeting commenced at 9.30 a.m. and concluded at 11.55 a.m.)

Chairman .....

Dated .....

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**Meeting:** Audit Committee  
**Date:** 25 June 2012  
**Subject:** Central Bedfordshire Statement of Accounts 2011/12  
**Report of:** Chief Finance Officer  
**Summary:** The report presents the 2011/12 Statement of Accounts for Central Bedfordshire Council. These are submitted to the Audit Committee for noting and approval of their issue to the Audit Commission. The draft annual accounts document is attached at Appendix A to the report.

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Contact Officer: Charles Warboys, Chief Finance Officer  
Public/Exempt: Public  
Wards Affected: All  
Function of: Council

#### **CORPORATE IMPLICATIONS**

##### **Council Priorities:**

##### **Financial:**

1. No direct effects, although the exercise will help to provide information on Council balances and identify potential impacts on current spending.

##### **Legal:**

2. None.

##### **Risk Management:**

3. None.

##### **Staffing (including Trades Unions):**

4. None.

##### **Equalities/Human Rights:**

5. None.

##### **Public Health**

6. None.

##### **Community Safety:**

7. None.

##### **Sustainability:**

8. None.

**Procurement:**

9. None.

**RECOMMENDATION:**

**The Committee is asked to note the Central Bedfordshire Draft Statement of Accounts for 2011/12 and approve its issue to the Audit Commission for review.**

**Background**

10. The Council is required to ensure certification of its annual accounts by its responsible financial officer no later than 30 June following the financial year end.
11. The annual accounts must be published with the audit opinion and certificate no later than 30 September. In advance of this the accounts must have been approved by Members. Approval of the accounts is planned at the 24 September 2012 Audit Committee.
12. The full set of draft annual accounts is attached at Appendix A.

**Statement of Accounts 2011/12**

13. The Statement of Accounts are subject to external audit validation in accordance with the requirements of the Audit Commission. The audit will take place during July, August and September 2012.
14. The accounts approval process was revised in line with the requirements of the Accounts and Audit Regulations 2011, SI No. 817 in 2010/11. Under the 2009/10 regulations Members were required to approve the annual accounts (by 30 June) before they had been reviewed by the external auditor. The new requirements mean that Members give their approval to the accounts in the knowledge of audit findings in September.
15. There is no requirement under the new regulations to make reference of the accounts to Members until approval in September. However, the annual accounts have been issued to this Audit Committee in order to increase financial transparency and ensure that Members receive early notification of the financial outcome the Council. The full set of draft annual accounts is attached at Appendix A.
16. The Statement of Accounts has been produced in accordance with statutory requirements including the requirements of the International Financial Reporting Standards (IFRS).

### **2011/12 Outturn**

17. The anticipated outturn position for the General Fund and the Capital Programme will be reported to the July Executive. This is currently expected to show a projected underspend of circa £0.5m.
18. All key messages over any issues arising within the accounts and implications on the authority will be detailed in full within the Explanatory Foreword of the accounts.

### **Role of the Audit Committee and Public Inspection of the Accounts**

19. The Audit Committee's Terms of Reference state its obligations and requirements with regard to the review and approval of the Statement of Accounts. Specifically these are to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial settlements or from the audit that need to be brought to the attention of the Council.
20. As part of the external audit the accounts will be made available for public inspection between 9 July 2012 and 3 August 2012.

### **Appendices:**

Appendix A – Annual Statement of Accounts 2011/12

### **Background Papers:** (open to public inspection)

Statement of Accounts 2011/12 – Central Bedfordshire

### **Location:**

Priory House, Chicksands

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**APPENDIX A**

# **Annual Statement of Accounts**

Central Bedfordshire Council  
2011/12

**CENTRAL BEDFORDSHIRE COUNCIL**

**STATEMENT OF ACCOUNTS 2011/12**

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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 2011/12.

### **Introduction of International Financial Reporting Standards**

2011/12 represented the second year of International Financial Reporting Standards (IFRS) implementation. Local government bodies have adopted IFRS and the 2011/12 accounts have been produced on this basis, as defined by the CIPFA Code of Practice.

### **Our Key Priorities**

During 2011/12 key priorities have been:

- 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 which are now being refreshed, 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 for all authorities and at Central Bedfordshire we have continued our programme to operate more efficiently and, wherever possible, to protect front line services.

During 2010 the government announced significant cuts to councils' funding, and Central Bedfordshire's 2012/13 budget incorporates savings totalling £11.3m. The Medium Term Financial Plan (MTFP) covering the period up to 2016 envisages a further £38m of efficiency savings over the period.

In 2011/12, the Council has delivered its savings targets of £19.3m and made progress towards achieving the minimal level of General Fund reserves we consider necessary. Whilst write offs have been made in year in respect to local taxation, collection rates continue to be strong and improve with 97.9% for Council Tax and 98.7% for NNDR for 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 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 Movement in Reserves Statement** (page 12), shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement.

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

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

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

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

f) **The Housing Revenue Account Income and Expenditure Statement and Movement on HRA Statement** (page 91), which summarises the transactions in the year in respect of the provision of Council housing.

g) **The Collection Fund** (page 96), 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.

h) **The Statement of Responsibilities for the Statement of Accounts** (page 99), which sets out the responsibilities of both the Council and its responsible Finance Officer for the preparation of the accounts.

3. The Revenue Outturn Position:

The net revenue budget for 2011/12 was set at £181.2m (£177.0m 2010/11). At 31 March 2012, the net revenue outturn for the year was £180.8m (£176.6m 2010/11); this is an under spend in the year of £0.494m (£0.328m under spend 2010/11). These movements are analysed in Note 28 to the accounts.

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

Directorate	Approved Budget	Outturn including transfers to / from reserves	Variance
	£000	£000	£000
Social Care, Health and Housing	55,701	53,886	(1,814)
Children's Services	35,623	34,302	(1,320)
Sustainable Communities	50,669	49,775	(894)
Corporate Services	26,458	27,847	1,389
Contingency and Reserves	792	3,165	2,373
Corporate Costs	12,006	11,779	(227)
<b>Net expenditure on services</b>	<b>181,249</b>	<b>180,756</b>	<b>(494)</b>
<b>Sources of funding:</b>			
Formula Grant (RSG and NNDR)	50,582		
Council Tax	130,667		
<b>Total Grants &amp; local taxation</b>	<b>181,249</b>		

The year end balance on the General Fund has also been increased by £3.4m at 31<sup>st</sup> March 2012 (£1.5m increase 2010/11) in accordance with our Medium Term Financial Plan, and now stands at £10.4m. Contributions to earmarked reserves (excluding schools) equated to £6.4m (£1.7m 2010/11).

#### Social Care, Health and Housing

£1,814k under spend due predominantly to:

- £524k over spend on Adult Social Care- Older People packages with demand greater than expected in terms of demographics and former self funders
- £1,344k under spend on Commissioning Services, mainly due to efficiencies made against the Learning Disability & Public Health Reform Grant £659k and Mental Health contracts £422k
- £915k under spend on Business & Performance, due to over achievement of customer income collection.

#### Children's Services

£1,320k under spend due predominantly to:

- £957k over spend on Children's Service Operations, due to expensive specialist placements, increases in living care accommodation costs and agency workers covering qualified posts, ensuring an appropriately safe case load for each social worker
- £2,282k under spend on Learning, Commissioning and Partnerships, due to:
  - £975k from the Schools Forum contribution
  - £1.3m attributable to the review of transport budgets, one off discretionary spend and posts being held to allow for early implementation of efficiencies planned for 2012/13.

#### Sustainable Communities

The £894k under spend was generally due to staff vacancies and lower superannuation / pension costs than anticipated, with some higher than expected electricity, business rates, fuel and vehicle costs. One off savings of £129k from waste contracts and £67k savings on leisure operations contributed towards reduced outturn expenditure. Grant income was higher than expected by £409k, mainly due to the new Safer Communities Grant of £232k, although fee income from adult skills, learning, leisure and planning had a shortfall of £183k due to the effects of slower economic conditions.

Corporate Services

£1,389k over spend predominantly due to:

- £280k under spend on Chief Executive Services, due to savings from an organisational restructure
- £376k under spend on ACE People & Organisation, due to under spends within staff costs and better than anticipated income collection more than off-setting agency costs
- £2,044k over spend on ACE Resources is mainly due to transfers to earmarked reserves, excluding this the service was only £100k overspent. The largest individual earmarked transfer is £1,080k to the Insurance reserve to cover potential future costs resulting from of the MMI Supreme Court ruling in March 2012.

Corporate Costs

There were no material variances recorded in Corporate Costs, the £227k under spend is due to a reduction in premature retirement costs.

Contingency and Reserves

The Council has retained earmarked reserves of £18.5m (£12.1m 2010/11) that are retained against specific projects that would have otherwise been incurred against the General Fund:

<b>Balances available to the Council General Fund</b>	<b>£'000</b>	<b>£'000</b>
Insurance	4,221	
Redundancy	3,329	
Service based	9,806	
Schools Contingency	900	
		<b>18,526</b>
<b>Balances not available to the Council General Fund</b>		
HRA Earmarked Reserve	0	
Schools	10,240	
		<b>10,240</b>
<b>Total</b>		<b>28,766</b>

4. The Capital Outturn Position:

The capital programme outturn is £10.3m below the budget. The capital programme net budget was set at £33.9m for 2011/12 (£30.7m for 2010/11). The 2011/12 gross expenditure budget was £86.5m with external funding (grants and contributions) of £52.5m. The net outturn position for the year totalled £23.6m for 2011/12 (£21.6m for 2010/11). This is analysed across the services as follows:

	<b>BUDGET- Gross Expenditure</b>	<b>BUDGET- External Funding</b>	<b>Revised Full Year BUDGET</b>	<b>Actual net Spend</b>	<b>Variance</b>
<b>Directorate</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Social Care, Health and Housing	9,527	(6,153)	3,374	4,055	681
Children's Services	30,750	(27,985)	2,765	2,459	(306)
Sustainable Communities	31,655	(18,041)	13,614	7,301	(6,313)
Corporate Services	9,464	(365)	9,099	4,993	(4,106)
<b>Sub Total</b>	<b>81,396</b>	<b>(52,544)</b>	<b>28,852</b>	<b>18,808</b>	<b>(10,044)</b>
Housing Revenue Account	5,056	(0)	5,056	4,766	(290)
<b>Total</b>	<b>86,452</b>	<b>(52,544)</b>	<b>33,908</b>	<b>23,574</b>	<b>(10,334)</b>

There were no major / material asset acquisitions in 2011/12.

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 £1.992m (£0.4m 2010/11). The Housing Revenue Account's capital programme is funded through the Major Repairs Allowance £3.8m (£3.7m 2010/11) usable capital receipts £0.3m (£1.6m 2010/11) and revenue contribution £0.7m (£0.9m 2010/11).

The Council holds no capital receipts (£2.6m 2010/11), all capital receipts were utilised in 2011/12 to finance capital spending. During 2011/12, the Council received a total of £30.2m (£20.0m 2010/11) from the Government as specified capital grants, and grants and contributions from other sources totalling £7.5m (£9.8m for 2010/11) to provide support to the capital programme.

A PFI credit of £1.886m (which will be the same for the lifetime of the project) 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 Central Bedfordshire.

The Council applied the following resources to fund its 2011/12 capital programme:

- Capital Receipts- £3.7m (£29.8m 2010/11)
- Government grants and contributions- £45.6m (£24.7m 2010/11)
- Direct revenue funding- £1.3m (£1.5m 2010/11)
- Minimum revenue provision- £5.2m (£6.3m 2010/11).

6. Borrowing:

Within the Treasury Management Strategy, the Council approved an authorised borrowing limit for 2011/12 of £435m (£221m 2010/11). During the year the Council took out £164.995m additional borrowing for the Housing Revenue Account Settlement Payment Determination, see the Comprehensive Income and Expenditure Statement – Exceptional Item.

7. Investments:

The Council had investments / cash equivalents totalling £27.0m at 31 March 2012 (£45.6m at 31 March 2011). This represents the investment of surplus revenue and capital funds, which generated investment income of £1.1m in the year (£1.4m 2010/11), against a budget of £1.3m (£1.5m 2010/11).

The yield on investments reduced from last year to 1.61% (1.74% 2010/11). This is due to an increase in the level of internal resources utilised to fund capital expenditure and the length of the maturity of the investments being reduced due to the increased pressures in the financial markets.



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

	<b>£'000</b>
Internally Managed (investments and cash equivalents)	22,300
Externally Managed Lime fund	4,688
	<b>26,988</b>

8. Defined Benefit Pension Scheme:

The Council's share of the Local Government Pension Scheme, which is administered by Bedford Borough Council, stood at £249.6m at 31 March 2012 (£197.3m at 31 March 2011).

Full details of this balance 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), see the Comprehensive Income and Expenditure Statement – footnote 3.

9. Efficiencies:

The 2011/12 revenue outturn includes £19.3m of efficiencies which were achieved during the year. The following levels of saving were made in services as follows:

- £5.0m Children's Services
- £5.0m Corporate Services
- £4.8m Social Care, Health and Housing
- £4.0m Sustainable Communities.

The major efficiency savings (over £500k) that were achieved are as follows:

- £1.898m Remodel Youth Centre
- £1.130m Commissioned services- residential and nursing care
- £1.054m Transport
- £0.915m Reduction of posts at Head of Service level
- £0.890m Employee terms and conditions
- £0.522m Commissioned services- renegotiation of high cost disability placements
- £0.515m Procurement.

Most savings are individually below £500k.

10. Housing Revenue Account (HRA):

The balance on the Housing Revenue Account (HRA) has increased by £163k during the year (£482k reduction 2010/11). The main reason is reduced capital expenditure from £835k in 2010/11 to £664k in 2011/12, a difference of £171k. The HRA is set at a nil net budget as income from housing rental funds the related expenditure.

11. Council Tax Collection:

The collectable amount in respect of 2011/12 Council Tax was £140m. The Council achieved a collection rate of 97.9% (97.6% 2010/11).

Council Tax arrears amounted to £10.3m as at 31 March 2012 (£10.2m as at 31 March 2011). £4.6m of these arrears relate to 2011/12 billing which is expected to be substantially collected during 2012/13.

12. Provisions:

The Council holds £3.7m of provisions as at 31<sup>st</sup> March 2012 (£3.9m 2010/11). 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 Bedford Borough Council, stood at £2.8m as at 31<sup>st</sup> March 2012 (£3.3m 2010/11).

13. Material charges / Credits:

The Comprehensive Income and Expenditure Statement include a £145k debit within the Non-Distributed Costs line (£63m credit 2010/11). This is in respect of negative Past Service Costs related to the Council.

HRA self financing occurred at the end of 2011/12, note 5 outlines the Council's payment to the Secretary of State for this one off action was £164.995m.

**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 is 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 2011/12</u>	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
<b>Balance @ 31st March 2011</b>	<b>(6,990)</b>	<b>(12,091)</b>	<b>(3,742)</b>	<b>(46)</b>	<b>(2,568)</b>	<b>(1,480)</b>	<b>(200)</b>	<b>(11,332)</b>	<b>(38,448)</b>
<b>Movement in Reserves during 2011/12:</b>									
(Surplus)/deficit on provision of services	120,653	0	152,974	0	0	0	0	0	273,627
Other Comprehensive I&E	(1,797)	0	0	0	0	0	0	0	(1,797)
<b>Total Comprehensive I&amp;E</b>	<b>118,856</b>	<b>0</b>	<b>152,974</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>271,829</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(128,696)	0	(153,090)	0	2,568	0	0	1,092	(278,126)
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(9,839)</b>	<b>0</b>	<b>(116)</b>	<b>0</b>	<b>2,568</b>	<b>0</b>	<b>0</b>	<b>1,092</b>	<b>(6,296)</b>
Transfers (to)/from Earmarked Reserves (note 8)	6,435	(6,435)	(46)	46	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(3,404)</b>	<b>(6,435)</b>	<b>(162)</b>	<b>46</b>	<b>2,568</b>	<b>0</b>	<b>0</b>	<b>1,092</b>	<b>(6,296)</b>
<b>Balance @ 31st March 2012</b>	<b>(10,394)</b>	<b>(18,526)</b>	<b>(3,905)</b>	<b>0</b>	<b>0</b>	<b>(1,480)</b>	<b>(200)</b>	<b>(10,240)</b>	<b>(44,745)</b>

<u>Unusable 2011/12</u>	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
<b>Balance @ 31st March 2011</b>	<b>(50,019)</b>	<b>398</b>	<b>197,283</b>	<b>(828,163)</b>	<b>(72)</b>	<b>2,065</b>	<b>1,292</b>	<b>0</b>	<b>5,687</b>	<b>(671,530)</b>	<b>(709,977)</b>
<b>Movement in Reserves during 2011/12:</b>											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	273,627
Other Comprehensive I&E	(9,283)	(243)	55,218	0	0	0	0	0	0	45,692	43,894
<b>Total Comprehensive I&amp;E</b>	<b>(9,283)</b>	<b>(243)</b>	<b>55,218</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,692</b>	<b>317,521</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	14,350	157	(2,879)	263,702	0	(116)	288	0	2,622	278,125	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>5,067</b>	<b>(86)</b>	<b>52,339</b>	<b>263,702</b>	<b>0</b>	<b>(116)</b>	<b>288</b>	<b>0</b>	<b>2,622</b>	<b>323,816</b>	<b>317,520</b>
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>5,067</b>	<b>(86)</b>	<b>52,339</b>	<b>263,702</b>	<b>0</b>	<b>(116)</b>	<b>288</b>	<b>0</b>	<b>2,622</b>	<b>323,816</b>	<b>317,520</b>
<b>Balance @ 31st March 2012</b>	<b>(44,952)</b>	<b>312</b>	<b>249,620</b>	<b>(564,461)</b>	<b>(72)</b>	<b>1,949</b>	<b>1,581</b>	<b>0</b>	<b>8,309</b>	<b>(347,715)</b>	<b>(392,461)</b>

<b>Usable 2010/11</b>	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
<b>Balance @ 31st March 2010</b>	<b>(5,163)</b>	<b>(10,574)</b>	<b>(4,223)</b>	<b>(60)</b>	<b>(30,942)</b>	<b>0</b>	<b>(200)</b>	<b>(9,028)</b>	<b>(60,191)</b>
<b>Movement in Reserves during 2010/11:</b>									
(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
<b>Total Comprehensive I&amp;E</b>	<b>(28,652)</b>	<b>0</b>	<b>36,282</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,630</b>
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
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(3,343)</b>	<b>0</b>	<b>495</b>	<b>0</b>	<b>28,374</b>	<b>(1,480)</b>	<b>0</b>	<b>(2,304)</b>	<b>21,744</b>
Transfers (to)/from Earmarked Reserves (note 8)	1,516	(1,516)	(14)	14	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(1,827)</b>	<b>(1,516)</b>	<b>481</b>	<b>14</b>	<b>28,374</b>	<b>(1,480)</b>	<b>0</b>	<b>(2,304)</b>	<b>21,744</b>
<b>Balance @ 31st March 2011</b>	<b>(6,990)</b>	<b>(12,091)</b>	<b>(3,742)</b>	<b>(46)</b>	<b>(2,568)</b>	<b>(1,480)</b>	<b>(200)</b>	<b>(11,332)</b>	<b>(38,448)</b>

<b>Unusable 2010/11</b>	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	<b>GRAND Total £'000</b>
<b>Balance @ 31st March 2010</b>	<b>(43,163)</b>	<b>415</b>	<b>326,356</b>	<b>(870,759)</b>	<b>(72)</b>	<b>2,505</b>	<b>0</b>	<b>2,625</b>	<b>8,013</b>	<b>(574,080)</b>	<b>(634,271)</b>
<b>Movement in Reserves during 2010/11:</b>											
(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)
<b>Total Comprehensive I&amp;E</b>	<b>(9,779)</b>	<b>(359)</b>	<b>(73,200)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(83,338)</b>	<b>(75,708)</b>
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
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(6,856)</b>	<b>(17)</b>	<b>(129,074)</b>	<b>42,596</b>	<b>0</b>	<b>(440)</b>	<b>1,292</b>	<b>(2,625)</b>	<b>(2,326)</b>	<b>(97,450)</b>	<b>(75,708)</b>
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(6,856)</b>	<b>(17)</b>	<b>(129,074)</b>	<b>42,596</b>	<b>0</b>	<b>(440)</b>	<b>1,292</b>	<b>(2,625)</b>	<b>(2,326)</b>	<b>(97,450)</b>	<b>(75,708)</b>
<b>Balance @ 31st March 2011</b>	<b>(50,019)</b>	<b>398</b>	<b>197,283</b>	<b>(828,163)</b>	<b>(72)</b>	<b>2,065</b>	<b>1,292</b>	<b>0</b>	<b>5,687</b>	<b>(671,530)</b>	<b>(709,977)</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2010/11 Re-stated <sup>1</sup>			2011/12		
<u>Gross Expenditure</u>	<u>Gross Income</u>	<u>Net Expenditure</u>	<u>Gross Expenditure</u>	<u>Gross Income</u>	<u>Net Expenditure</u>
£'000	£'000	£'000	£'000	£'000	£'000
<b>Service Analysis</b>					
85,193	(78,426)	6,767	86,310	(80,728)	5,582
0	(0)	0	0	(0)	0
10,610	(1,219)	9,391	11,787	(1,026)	10,761
25,863	(1,560)	24,303	25,447	(1,774)	23,673
15,978	(7,095)	8,883	18,552	(7,029)	11,523
320,730	(266,391)	54,339	268,487	(206,463)	62,024
26,516	(4,325)	22,191	26,937	(3,480)	23,457
63,340 <sup>2</sup>	(23,024)	40,316	12,565	(24,472)	(11,907)
-	-	-	164,995	0	164,995
10,231	(4,465)	5,766	9,370	(1,216)	8,154
92,785	(33,713)	59,072	87,843	(33,888)	53,955
5,776	(612)	5,164	4,996	(2,889)	2,107
(60,783) <sup>3</sup>	(1,501)	(62,284)	7,566 <sup>4</sup>	(685)	6,881
<b>596,238</b>	<b>(422,330)</b>	<b>173,908</b>	<b>724,855</b>	<b>(363,650)</b>	<b>361,205</b>
<b>Cost of Services</b>					
<b>Notes</b>					
<b>Other Operating Expenditure</b>					
		8,504		9	8,607
		672			673
		621			644
		33,082			138,396 <sup>5</sup>
		42,879			148,320
<b>Financing and Investment Income and expenditure</b>					
		5,718		10	5,703
		94			77
		919			1,724
		34,708			28,832
		(23,446)			(20,991)
		(1,393)			(1,125)
		(5,861)			(16,246)
		66			425
		(1,714)			(2,211)
		381			467
		9,472			(3,345)
		0			0
<b>(Surplus)/Deficit of Discontinued Operations</b>					

continued

<sup>1</sup> "Culture, Environmental, Regulatory & Planning Services" classification from the 2010/11 accounts, now split to three classifications: "Culture and related services", "Environmental and regulatory services" and "Planning services".

<sup>2</sup> Includes £41m debit from the change in DCLG Social Housing Factor percentage from 46% to 39% (regional percentage).

<sup>3</sup> Includes £62.8m credit from Pension Fund Actuary's report for "past service costs" related to the Council.

<sup>4</sup> Includes £0.1m debit from Pension Fund Actuary's report for "past service costs" related to the Council.

<sup>5</sup> Predominantly schools which have become academies in 2011/12 and therefore are no longer the Council's assets.

	<b>Taxation and Non-Specific Grant Income</b>	11	
(134,646)	Council Tax		(136,659)
(44,284)	National Non-Domestic Rates (NNDR)		(38,638)
(18,087)	Revenue Support Grant (RSG) and non-ring fenced government grants		(15,145)
(24,440)	Recognised capital grants and contributions		(42,111)
(221,457)			(232,553)
4,802	<b>(Surplus)/Deficit on Provision of Services</b>		273,627
	(Surplus)/deficit on revaluation of non-current assets:		
(14,181)	Revaluation gains		(15,705)
4,402	Revaluation losses (chargeable to Revaluation Reserve)		6,421
(359)	(Surplus)/deficit on revaluation of available for sale assets		(243)
(73,200)	Actuarial (gain)/losses on pensions asset/liabilities		55,218
2,828	Other		(1,797)
(80,510)	<b>Other Comprehensive Income and Expenditure Statement- (Surplus)/Deficit</b>		43,894
(75,708)	<b>Total Comprehensive Income and Expenditure Statement- (Surplus)/Deficit</b>		317,521

**BALANCE SHEET**

<u>1<sup>st</sup> April</u> <u>2010</u> <u>£'000</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2011</u> <u>£'000</u>		<u>Note</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2012</u> <u>£'000</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2012</u> <u>£'000</u>
Restated	Restated	<b>Property, Plant &amp; Equipment</b>	12		
263,887	222,788	Council Dwellings		230,200	
605,363	582,371	Other Land and Buildings		445,956 <sup>6</sup>	
8,946	7,814	Vehicles, Plant, Furniture and Equipment		6,505	
146,270	156,096	Infrastructure Assets		160,090	
2,027	1,958	Community Assets		1,953	
30,246	30,467	Assets under Construction		41,905	
1,802	1,951	Surplus assets not held for sale		1,919	
77	37	Finance leases (CBC lessee)- Fleet vehicles	41	17	
0	1,121	Finance leases (CBC lessee)- Multi functional devices printers equipment	41	897	
<b>1,058,618</b>	<b>1,004,604</b>				<b>889,441</b>
		<b>Investment Properties</b>	13		
56,856	63,350	Investment Properties		79,264	
56,856	63,350				<b>79,264</b>
		<b>Intangible Assets</b>	14		
4,922	5,744	Software		6,650	
4,922	5,744				<b>6,650</b>
		<b>Long Term Investments</b>	15		
5,936	4,602	Non property investments		4,688	
5,936	4,602				<b>4,688</b>
		<b>Long Term Debtors</b>	15		
712	654	Long Term General Debtors (>1 year)		1,143	
712	654				<b>1,143</b>
<b>1,127,044</b>	<b>1,078,953</b>	<b>Long Term Assets</b>			<b>981,186</b>
54,737	41,000	Short Term Investments- principal	15	12,500	
708	536	Short Term Investments- interest		296	
660	855	Assets Held for Sale	20	3,291	
		<b>Inventories</b>	16		
46	48	Stocks and Works in Progress		0	
		<b>Short Term Debtors</b>	18		
56,435	63,392	General Debtors (<1 year)		55,620	
16,595	5,057	Cash and Cash Equivalents	19	44,584	
<b>129,181</b>	<b>110,888</b>	<b>Current Assets</b>			<b>116,290</b>

continued

<sup>6</sup> Significant decrease year on year is predominantly schools which have become academies in 2011/12 and therefore are no longer the Council's assets.



(5,006)	(646)	Short Term Borrowing	15	(5,038)
		<u>Short Term Creditors</u>	21	
(68,992)	(57,993)	General Creditors (within one year)		(51,145)
(43)	(19)	Finance Leases Creditors (<1 year)- Fleet vehicles		(16)
0	(371)	Finance Leases Creditors (<1 year)- Multi functional devices printers equipment		(371)
(5,742)	(3,908)	Provisions	22	(3,713)
(8,013)	(5,687)	Provisions- accumulated absences		(8,309)
<b>(87,795)</b>	<b>(68,623)</b>	<b>Current Liabilities</b>		<b>(68,591)</b>
		<u>Long Term Creditors</u>	15	
(35)	(16)	Long Term Finance Leases Creditors (>1 year)- Fleet Vehicles		0
0	(560)	Long Term Finance Leases Creditors (>1 year)- Multi functional devices printers equipment		(355)
(19,716)	(18,453)	Private Finance Initiative (PFI)	42	(18,005)
(3,126)	0	Provisions	22	0
(154,183)	(153,621)	Long Term Borrowing <sup>7</sup>	15	(313,678)
		<u>Other Long Term Liabilities</u>	15	
(326,355)	(197,282)	Liability to Defined Benefit Pension Scheme		(249,620)
(11)	(34)	Investment funds		0
(30,733)	(41,274)	Capital Grants (receipts in advance)	38	(54,766)
<b>(534,158)</b>	<b>(411,240)</b>	<b>Long Term Liabilities</b>		<b>(636,423)</b>
<b>634,271</b>	<b>709,978</b>	<b>Net Assets</b>		<b>392,461</b>
		<u>Usable Reserves</u>	23	
(5,163)	(6,990)	General Fund (GF) Reserve		(10,394)
(10,574)	(12,091)	GF Earmarked Reserves		(18,526)
(4,223)	(3,742)	Housing Revenue Account (HRA) Balance		(3,905)
(60)	(46)	HRA Earmarked Reserves		0
(30,942)	(2,568)	Usable Capital Receipts Reserve		0
(0)	(1,480)	Capital Grants Unapplied		(1,480)
(200)	(200)	Major Repairs Reserve		(200)
(9,028)	(11,332)	Schools Reserve		(10,240)
(60,191)	(38,448)			(44,745)
		<u>Unusable Reserves</u>	24	
(43,163)	(50,019)	Revaluation Reserve		(44,952)
415	398	Available for Sale Fin. Instruments Reserve		312
(870,759)	(828,163)	Capital Adjustment Account		(564,461)
2,505	2,065	Financial Instruments Adjustment Account		1,949
326,356	197,283	Pension Reserve		249,620
(72)	(72)	Deferred Capital Receipts		(72)
(0)	1,292	Collection Fund Adjustment Account		1,581
2,625	0	Unequal Pay Back Pay Account (Single Status)		0
8,013	5,687	Short Term Accumulating Compensated Absences		8,309
(574,080)	(671,530)			(347,715)
<b>(634,271)</b>	<b>(709,978)</b>	<b>Total Reserves</b>		<b>(392,461)</b>

Balance sheet balances, as "Net Assets" is the inverse value of "Total Reserves".

<sup>7</sup> £164,995k additional long term borrowing taken on to facilitate the HRA's self financing during 2011/12.

**CASH FLOW STATEMENT**

2010/11 £'000	Note	2011/12 £'000	2011/12 £'000
(4,802)	25		(273,627)
24,385	"	38,053	
55,873	"	2,880	
(15,947)	"	427,216	
6,129	"	5,648	
667	"	458	
(4,960)	"	(195)	
(19,222)	"	(208,826)	
6,385	"	5,297	
(2)	"	48	
(7,952)	"	7,772	
(8,702)	"	(2,898)	
36,654	"		275,453
4,765	25	4,694	
(12,103)	"	(23,890)	
(33,029)	"	(138,396)	
(40,367)	"		(157,592)
<b>(8,515)</b>	<b>"</b>		<b>(155,766)</b>
(40,289)	26	(41,799)	
1,497	"	1,177	
(5,456)	"	(5,703)	
1,206	"	2,152	
32,375	"	51,758	
13,909	"	28,740	
3,242	"		36,325
6	27	4	
(704)	"	(448)	
(5,565)	"	159,411	
(2)	"	0	
(6,265)	"		158,967
<b>(11,538)</b>			<b>39,526</b>
16,595			5,057
5,057		44,583	
<b>5,057</b>	19		<b>44,583</b>

**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.

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenue from provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

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.

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. *Exceptions to these de-minimis levels include:*

- where the number of transaction are immaterial individually but are material when combined together
- where there are legal requirements making materiality nil, such as trading accounts
- where the transactions relate to significant grant claims.

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. This grant finished in 2010/11 and therefore no ABG is within the 2011/12 accounts.

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 overnight 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 (professional estimate)
  - 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 Financing and Investment Income and 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 Financing and Investment Income and 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.

Exceptional Items - When items of income and expense are material, 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 understanding of the Council's financial performance.

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 Statement 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
- Schools do 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.

iii) 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:

Attributable 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, (Non-ring fenced grants and contributions) 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 with conditions 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 (non-current) 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 if over £10k.

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

Material 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
- 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) Non-current 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 complete within one year of the date of classification and action required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn, this 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 Service Reporting Code of Practice 2011/12 (SeRCOP).

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 and impairment losses chargeable on assets held for sale.

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.

The amounts payable to the PFI operators each year are analysed into 5 elements:

- Fair value of the services received during the year - debited to the relevant services in the Comprehensive Income and Expenditure Statement
- Finance costs - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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 and the cost can be reliably measured. 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:

- 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 – existing use value if non-specialised, depreciated replacement cost for specialised assets
- Infrastructure, community assets and vehicles, plant and equipment – depreciated historic cost and existing use value if non-specialised community assets
- Council housing – existing use value for social housing
- Surplus properties – (not held for sale) existing use value applying the same assumptions relating to level of usage etc as those of the most recent revaluation as an operational asset
- Assets under construction – historic cost until such time as the assets are commissioned.

Assets included in the Balance Sheet at existing use value or depreciated replacement cost 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. Unless reversing a previous revaluation loss, when the credit would go to the Comprehensive Income and Expenditure Statement.

### 3) Impairment / Revaluation Losses

A Material change and impairment review is carried out annually on the value of non-current assets carried within the Balance Sheet where there is evidence that this value may be excessive.

Impairment / revaluation 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 Usable 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, net of recent (current year and previous 3 financial years) capital expenditure on the property being sold.

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.

A Maximum of 4% of the capital receipt can be used for revenue costs.

#### 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 2011/12, 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 and 2010/11 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 2011/12 PFI and Finance Lease liability redemption
- The 2009/10 and 2010/11 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.

If applicable, 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.

9) Heritage Assets

Tangible and Intangible Heritage Assets are defined as assets that are primarily for increasing knowledge and culture in the local area, operational assets are not considered to be within the definition of heritage assets.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

The Council's Heritage Assets are held in various locations and are accounted for as follows:

- Art collections on display £5k (insurance estimate) and £28k for a pair of 19<sup>th</sup> century cast iron vases (insurance estimate)
- Civic regalia £10k (insurance estimate)
- Others £120k NBV (two church ruins, two castle ruins and a mausoleum).

Given the immaterial nature of these assets values, the Council has determined that disclosures for Heritage Assets are not necessary, therefore all assets will continue to be classified as they were before implementation of FRS30 Heritage Assets.

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 been 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 based on a variety of criteria, which broadly equates to £11m. This has been set on the basis of the Council being relatively new, with modest financial history. Whilst three 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.

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.

ab) 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 2010/11 and 2011/12:

- 1<sup>st</sup> January 2010 to 31<sup>st</sup> December 2010- 17.5%
- 1<sup>st</sup> January 2011 to 31<sup>st</sup> March 2012- 20%.

ac) 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 Council's 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.

Ad) Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Council is required to participate in the CRC Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

It is anticipated that this issue may be immaterial for the Council when full implementation occurs. As the Council only came into existence on 01/04/2009 this has no affect during 2011/12 but will have implications in subsequent years.

Note 2) Accounting Standards Issued but not Adopted

For 2011/12, the only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).

FRS30 Heritage Assets (previously Community Assets) are recognised as a separate class of asset for the first time in 2011/12 (see Note 12 for further details). Note 3 outlines that the Council has undertaken a detailed review of all potential heritage assets and given the immaterial nature of those meeting the criteria, decided to keep assets with original classifications, therefore not classify as heritage.

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
- 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
- The Council undertook an exercise to justify that component accounting had no material effect on the financial statements. Different asset types were split into their component parts using professional advice and then applying their relevant component useful lives, the depreciation charge was recalculated including some sensitivity analysis. This confirmed that the effect on depreciation was not material. This exercise will be reviewed on a regular basis to assess if the impact on depreciation is still immaterial
- Heritage assets are a new classification brought in for 2011/12, due to the immaterial nature of these assets values (given a detailed exercise identifying all potential Heritage assets) the Council has determined that disclosures for Heritage Assets are not necessary, therefore all assets will continue to be classified as they were before implementation of FRS30 Heritage Assets
- The Council has entered into a number of lease arrangements both as lessee and lessor. Tests to determine the risk and rewards of these leases have been undertaken to determine the leases classification (finance or operating). Where leases are deemed finance leases by these tests but are immaterial in value, they have been accounted for as operating leases.

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 2012 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 £2m.
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 £19k.
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 £2.5m.
Others:		
• Accruals	• Actual amount differs from accrual estimate	If incorrect, effect is mis-statement of values on the Balance Sheet / HRA and potential revenue impact.
• Trading a/c's overheads	• Actual amount differs from accrual estimate	
• HRA proportion of pensions	• Actual proportion differs from estimate	

This list does not include assets and liabilities that 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:

Area	Narrative	2011/12
<u>Disposals of Items of Property, Plant and Equipment:</u>		£'000
* Non-HRA property disposals	145 properties disposed in total	£139,775
* HRA property disposals	14 properties disposed in total	£390
<u>Disposals of Investments:</u>		
* All other investments mature, not disposed off.	-	-
<u>Reversals of Provisions:</u>		
* Legal cases / Injury & Damage / Other Provisions	No reversed Legal provisions (note 22)	-
<u>Others:</u>		
* Fund HRA self-financing payment and loan for payment	-	£164,995

Note 6) Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Finance Officer (Section 151 Officer) on XX<sup>th</sup> September 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

*Please note the date on this note cannot be added until the audit is completed.*

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 Statement 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.

**General Fund Balance**

The General Fund balance is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities, the balance is not available to be applied to funding HRA services.

**Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

**Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

**Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital

expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

#### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.



2011/12	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	(19,899)	(3,061)	-	-	-	-	22,959
* Revaluation losses on Property, Plant and Equipment	(7,693)	13,077	-	-	-	-	(5,384)
* Movement in the market value of investment properties	16,246	-	-	-	-	-	(16,246)
* Amortisation of intangible assets	(1,499)	-	-	-	-	-	1,499
* Capital grants and contributions applied	41,808	0	-	-	-	-	(41,808)
* Movement in Donated Assets Account	0	-	-	-	-	-	0
* Revenue expenditure funded from capital under statute	(23,890)	-	-	-	-	-	23,890
* 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	(140,549)	547	-	-	-	-	140,002
<u>Insertion of items not debits / credits to the Comprehensive Income and Expenditure Statement:</u>							
* Statutory provision for the financing of capital investment	5,872	-	-	-	-	-	(5,872)
* Capital expenditure charged against the General Fund and HRA balances	624	664	-	-	-	-	(1,288)
* Application of grants to capital fin. of capital inv. charged to the General Fund and HRA balances	0	-	-	-	-	-	0
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure Statement	0	-	-	0	-	-	-
* Application of grants to capital financing transferred to the Capital Adjustment Account	0	-	-	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	914	0	(914)	-	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,482	-	-	-	3,482
* Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposal	0	-	0	-	-	-	0
* Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool	0	-	0	-	-	-	0
* 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	0	-	-	-	-	-	0
<u>Adjustment primarily involving the Major Repairs Reserve:</u>							
* Reversal of Major Repairs Allowance credit to the HRA	-	744	-	-	(744)	-	-
* Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	744	-	(744)
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>							
* Amounts 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 req.	116	-	-	-	-	-	(116)

<u>Adjustments primarily involving the Pensions Reserve:</u>							
* Reversal of items relating to retirement benefit debits / credits to the Comprehensive Income and Expenditure Statement	(13,257)	(1,263)	-	-	-	-	14,520
* Employer's pensions contributions and direct payments to pensioners payable in year	16,247	1,152	-	-	-	-	(17,399)
<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	(289)	-	-	-	-	-	289
<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	0	-	-	-	-	-	0
<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	(2,622)	-	-	-	-	-	2,622
<u>Other adjustments:</u>	(825)	(164,949)	0	0	0	1,092	164,682
<b>Total Adjustments:</b>	<b>(128,696)</b>	<b>(153,090)</b>	<b>2,568</b>	<b>0</b>	<b>0</b>	<b>1,092</b>	<b>278,125</b>

2010/11	<u>General Fund Balance</u> £'000	<u>HRA Balance</u> £'000	<u>Capital Receipt Reserve</u> £'000	<u>Capital Grants Unapplied</u> £'000	<u>Major Repairs Reserve</u> £'000	<u>Schools</u> £'000	<u>Movement unusable Reserve</u> £'000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>							
<u>Reversal of items debits / credits to the Comprehensive Income and Expenditure Statement:</u>							
* Charges for depreciation and impairment of non-current assets	(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 Statement:</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 different 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	-	-	-	-	(37,769)
* 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
<b>Total Adjustments:</b>	<b>25,309</b>	<b>(35,787)</b>	<b>28,374</b>	<b>(1,480)</b>	<b>0</b>	<b>(2,304)</b>	<b>(14,112)</b>

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 2011/12.

	<u>Balance</u> 31/03/2010 £'000	<u>Transfers</u> <u>out</u> 2010/11 £'000	<u>Transfers</u> <u>in</u> 2010/11 £'000	<u>Balance</u> 31/03/2011 £'000	<u>Transfers</u> <u>out</u> 2011/12 £'000	<u>Transfers</u> <u>in</u> 2011/12 £'000	<u>Balance</u> 31/03/2012 £'000
<b>General Fund: Restated</b>							
Insurance reserve	3,076	(16)	0	3,059	0	1,162	4,221
Redundancy / harmonisation reserve	163	(1,065)	3,019	2,117	(1,530)	2,742	3,329
DSG- various elements	0	0	0	0	0	964	964
School specific contingency	874	0	188	1,062	(162)	0	900
Step up and down	0	0	0	0	0	674	674
Learning Difficulties Campus closure	0	0	744	744	(143)	0	601
Joint Working (formerly Winter pressure & Re-ablement)	0	(231)	801	570	0	0	570
Deregistration of care homes	583	0	0	583	(17)	0	566
EIG - various elements	0	0	0	0	0	505	505
External funded regeneration reserve	492	0	0	492	0	0	492
Adaptation of open space	449	0	0	449	(16)	56	489
Disabled Facilities Grant	0	0	0	0	0	475	475
ICT Stability	0	0	0	0	0	450	450
Residential Futures & Commissioning Projects	0	0	0	0	0	347	347
Social Care Reform Grant	200	0	215	415	(84)	0	331
Supporting people	0	(92)	397	305	0	0	305
OFSTED recomm for admin & cont. Social Worker Support	0	0	0	0	0	300	300
OFSTED action plan	0	0	0	0	0	250	250
Working Together - new national guidance	0	0	0	0	0	200	200
Pre-application service	0	0	0	0	0	200	200
	<u>5,837</u>	<u>(1,404)</u>	<u>5,364</u>	<u>9,796</u>	<u>(1,952)</u>	<u>8,325</u>	<u>16,169</u>
Others below (£200k)	4,737	(3,935)	1,491	2,293	(1,541)	1,603	2,355
	<u>10,574</u>	<u>(5,339)</u>	<u>6,855</u>	<u>12,090</u>	<u>(3,493)</u>	<u>9,928</u>	<u>18,524</u>
<b>HRA:</b>							
Business process re-engineer	47	0	0	47	(47)	0	0
Choice based lettings	13	(13)	0	0	0	0	0
	<u>60</u>	<u>(13)</u>	<u>0</u>	<u>47</u>	<u>(47)</u>	<u>0</u>	<u>0</u>
<b>Grand Total</b>	<b>10,635</b>	<b>(5,353)</b>	<b>6,855</b>	<b>12,136</b>	<b>(3,539)</b>	<b>9,928</b>	<b>18,524</b>

Note 9) Other Operating Expenditure

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Payments of precepts to Parishes	8,504	8,607
Levies payable	672	673
Payments to Housing Capital Receipts Government Pool	621	644
(Gain)/loss on Disposal of Fixed Assets - non-current tangible	33,082	138,396
(Gain)/loss on Disposal of Fixed Assets - intangibles	0	0
<b>Total</b>	<b>42,879</b>	<b>148,320</b>

Note 10) Financing and Investment Income and Expenditure

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Interest payable on debt	5,718	5,703
Interest element of finance leases (lessee)	94	77
Interest payable on PFI unitary payments	919	1,724
Premium on early repayment of debt	0	0
Impairment of financial instruments	0	0
Pension interest costs	34,708	28,832
Expected return on pension assets	(23,446)	(20,991)
Interest and Investment Income	(1,393)	(1,125)
Interest received on finance leases (lessor)	0	0
Discount for early repayment of debt	0	0
Changes in fair value of investment properties	(5,861)	(16,246)
Gain/(loss) on disposals of investment properties	66	425
Dividends received	0	0
Gain/(loss) on trading accounts (n/a to a service)	0	0
Rentals received on investment properties	(1,714)	(2,211)
Expenses incurred on investment properties	381	467
<b>Total</b>	<b>9,472</b>	<b>(3,345)</b>

Note 11) Taxation and Non-Specific Grant Income

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Council Tax income	(134,646)	(136,659)
National Non-Domestic Rates (NNDR)	(44,284)	(38,638)
Revenue Support Grant (RSG) and non-ring fenced government grants	(18,087)	(15,145)
Recognised capital grants and contributions	(24,440)	(42,111)
Non-service related government grants	0	0
<b>Total</b>	<b>(221,457)</b>	<b>(232,553)</b>

Note 12) Property, Plant and Equipment: Movements on balances

2011/12	<u>Council Dwellings (HRA)</u>	<u>Other Land &amp; Buildings (HRA)</u>	<u>Other Land &amp; Buildings (non-HRA)</u>	<u>Vehicles, Plant, Furniture &amp; 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 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>£'000</u>	<u>£'000</u>
<u>Cost or valuation:</u>												
At 1st April 2011	222,788	75,013	528,514	17,590	1,121	417	186,995	1,961	1,997	30,466	1,066,863	0
Additions	4,766	0	9,929	1,216	0	0	10,421	0	0	13,028	39,360	0
Donations	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation inc/(dec) rec in Revaluation Reserve	(1,731)	407	10,609	0	0	0	0	0	0	0	9,285	0
Revaluation inc/(dec) rec in surplus/deficit on provision of services	7,037	2,978	(7,693)	0	0	0	0	0	0	0	2,322	0
De-recognition - disposals	(394)	0	(145,637)	(509)	0	0	0	(5)	0	0	(146,545)	0
De-recognition - other	0	0	0	0	0	0	0	0	0	(1,243)	(1,243)	0
Assets reclass (to)/from Assets under Construction	0	0	225	0	0	0	121	0	0	(346)	0	0
Assets reclassified (to)/from Investment Properties	0	0	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	0	0
Assets reclassified (to)/from Held for Sale	0	0	(2,532)	0	0	0	0	0	0	0	(2,532)	0
Accumulated depreciation w/o due to revaluation	(2,266)	(840)	0	0	0	0	0	0	0	0	(3,106)	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0	0	0
<b>As at 31st March 2012</b>	<b>230,200</b>	<b>77,558</b>	<b>393,415</b>	<b>18,297</b>	<b>1,121</b>	<b>417</b>	<b>197,537</b>	<b>1,956</b>	<b>1,997</b>	<b>41,905</b>	<b>964,403</b>	<b>0</b>
<u>Accumulated depreciation and impairment:</u>												
At 1st April 2011	0	(94)	(21,062)	(9,776)	0	(380)	(30,899)	(3)	(45)	0	(62,259)	0
Depreciation charge in year	(2,266)	(795)	(10,960)	(2,113)	(224)	(20)	(6,548)	0	(33)	0	(22,960)	0
Dep w/o to the Revaluation Reserve	2,266	840	0	0	0	0	0	0	0	0	3,106	0
Dep w/o to the surplus/deficit on prov of services	0	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	0
Impairment losses/(reversals) rec in surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0	0	0
De-recognition - disposals	0	0	6,958	97	0	0	0	0	0	0	7,055	0
De-recognition - other	0	0	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	0	0
Assets reclassified (to)/from Surplus Assets	0	0	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	96	0	0	0	0	0	0	0	96	0
Accumulated depreciation w/o due to revaluation	0	0	0	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0	0	0	0
<b>As at 31st March 2012</b>	<b>0</b>	<b>(49)</b>	<b>(24,968)</b>	<b>(11,792)</b>	<b>(224)</b>	<b>(400)</b>	<b>(37,447)</b>	<b>(3)</b>	<b>(78)</b>	<b>0</b>	<b>(74,962)</b>	<b>0</b>
<u>Net book value:</u>												
at 31st March 2011	222,788	74,919	507,452	7,814	1,121	37	156,096	1,958	1,953	30,466	1,004,604	0
<b>at 31st March 2012</b>	<b>230,200</b>	<b>77,509</b>	<b>368,447</b>	<b>6,505</b>	<b>897</b>	<b>17</b>	<b>160,090</b>	<b>1,953</b>	<b>1,919</b>	<b>41,905</b>	<b>889,441</b>	<b>0</b>

2010/11 Restated	<u>Council Dwellings (HRA)</u>	<u>Other Land &amp; Buildings (HRA)</u>	<u>Other Land &amp; Buildings (non-HRA)</u>	<u>Vehicles, Plant, Furniture &amp; 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 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>£'000</u>	<u>£'000</u>
<u>Cost or valuation:</u>												
At 1st April 2010	263,887	75,772	543,545	18,168	0	417	171,068	2,030	1,820	30,246	<b>1,106,954</b>	687
Additions	5,806	365	8,187	2,276	1,121	0	10,448	0	145	10,582	<b>38,930</b>	0
Donations	0	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Revaluation inc/(dec) rec in Revaluation Reserve	(2,966)	(179)	12,922	0	0	0	0	0	1	0	<b>9,778</b>	0
Revaluation inc/(dec) rec in surplus/deficit on provision of services	(41,391)	(188)	(922)	0	0	0	0	0	25	0	<b>(42,476)</b>	0
De-recognition - disposals	(452)	0	(32,900)	(3,160)	0	0	0	0	0	(605)	<b>(37,117)</b>	0
De-recognition - other	0	0	0	0	0	0	0	0	0	0	<b>0</b>	(687)
Assets reclass (to)/from Assets under Construction	0	0	1,987	306	0	0	5,479	0	145	(9,026)	<b>(1,109)</b>	0
Assets reclassified (to)/from Investment Properties	0	0	(746)	0	0	0	0	(69)	0	0	<b>(815)</b>	0
Assets reclassified (to)/from Surplus Assets	139	0	0	0	0	0	0	0	(139)	0	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	0	0	(539)	0	0	0	0	0	0	0	<b>(539)</b>	0
Accumulated depreciation w/o due to revaluation	(2,236)	(757)	(3,007)	0	0	0	0	0	0	0	<b>(6,000)</b>	0
Other movements in cost or valuation	1	0	(13)	0	0	0	0	0	0	(731)	<b>(743)</b>	0
<b>As at 31st March 2011</b>	<b>222,788</b>	<b>75,013</b>	<b>528,514</b>	<b>17,590</b>	<b>1,121</b>	<b>417</b>	<b>186,995</b>	<b>1,961</b>	<b>1,997</b>	<b>30,466</b>	<b>1,066,863</b>	<b>0</b>
<u>Accumulated depreciation and impairment:</u>												
At 1st April 2010	0	(66)	(13,888)	(9,223)	0	(340)	(24,798)	(3)	(19)	0	<b>(48,337)</b>	(687)
Depreciation charge in year	(2,239)	(785)	(11,371)	(2,164)	0	(40)	(6,101)	0	(27)	0	<b>(22,727)</b>	0
Dep w/o to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Dep w/o to the surplus/deficit on prov of services	0	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Impairment loss/(reversal) rec in Revaluation Res	0	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) rec in surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0	<b>0</b>	0
De-recognition - disposals	5	0	1,208	1,611	0	0	0	0	0	0	<b>2,824</b>	0
De-recognition - other	0	0	0	0	0	0	0	0	0	0	<b>0</b>	687
Assets reclassified (to)/from Investment Properties	0	0	4	0	0	0	0	0	0	0	<b>4</b>	0
Assets reclassified (to)/from Surplus Assets	(2)	0	0	0	0	0	0	0	2	0	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	0	0	14	0	0	0	0	0	0	0	<b>14</b>	0
Accumulated depreciation w/o due to revaluation	2,236	757	3,007	0	0	0	0	0	0	0	<b>6,000</b>	0
Other movements in depreciation and impairment	0	0	(36)	0	0	0	0	0	(1)	0	<b>(37)</b>	0
<b>As at 31st March 2011</b>	<b>0</b>	<b>(94)</b>	<b>(21,062)</b>	<b>(9,776)</b>	<b>0</b>	<b>(380)</b>	<b>(30,899)</b>	<b>(3)</b>	<b>(45)</b>	<b>0</b>	<b>(62,259)</b>	<b>0</b>
<u>Net book value:</u>												
at 31st March 2010	263,887	75,706	529,657	8,945	0	77	146,270	2,027	1,802	30,246	<b>1,058,617</b>	
<b>at 31st March 2011</b>	<b>222,788</b>	<b>74,919</b>	<b>507,452</b>	<b>7,814</b>	<b>1,121</b>	<b>37</b>	<b>156,096</b>	<b>1,958</b>	<b>1,953</b>	<b>30,466</b>	<b>1,004,604</b>	

#### 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 2012, 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 £9.163m, similar commitments at 31 March 2011 were £9.883m. The major commitments are:

- A5/M1 link road- £1.534m
- All Saints Academy- £7.100m
- Queensbury Upper School window replacement- £0.529m.

#### Effects of Changes in Estimates:

In 2011/12, the Council made no material change to its accounting estimates for Property, Plant and Equipment.

#### 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 31<sup>st</sup> March 2012. 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 (RICS).

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 (HRA)</u>	<u>Other Land &amp; Buildings (HRA)</u>	<u>Other Land &amp; Buildings (non-HRA)</u>	<u>Vehicles, Plant, Furniture &amp; 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>	<u>£'000</u>
Carried at historical costs	0	0	0	6,505	897	17	160,090	1,953	0	0	169,461
Valued at fair value as at:											
* 31 <sup>st</sup> March 2012	230,200	77,509	368,447	0	0	0	0	0	1,919	41,905	719,980
* 31 <sup>st</sup> March 2011	222,051	74,919	113,511	0	0	0	0	0	1,953	30,466	442,900
* 31 <sup>st</sup> March 2010	737	0	393,941	0	0	0	0	0	0	0	394,678
<b>Total cost or valuation</b>	<b>230,200</b>	<b>77,509</b>	<b>368,447</b>	<b>6,505</b>	<b>897</b>	<b>17</b>	<b>160,090</b>	<b>1,953</b>	<b>1,919</b>	<b>41,905</b>	<b>889,441</b>

#### Heritage Assets:

The Council's Heritage Assets are held in various locations and are accounted for as follows:

- Art collections on display £5k (insurance estimate) and £28k for a pair of 19<sup>th</sup> century cast iron vases (insurance estimate)
- Civic regalia £10k (insurance estimate)
- Others £120k NBV (two church ruins, two castle ruins and a mausoleum).

Given the immaterial nature of these assets values, the Council has determined that disclosures for Heritage Assets are not necessary, therefore all assets will continue to be classified as they were before implementation of FRS30 Heritage Assets.

#### 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Rentals received on investment properties	(1,714)	(2,211)
Direct operating expenses arising from investment properties	381	467
<b>Net (gain)/loss for fair value adjustment</b>	<b>(1,333)</b>	<b>(1,744)</b>

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 subsequent repairs, maintenance or enhancement.

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

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of the year	56,856	63,350
Additions:		
* Purchases	0	0
* Construction	0	0
* Subsequent expenditure	0	97
Disposals:	(178)	(429)
Net gain/(losses) from fair value adjustment	5,861	16,246
Transfers:		
* (To)/from inventories	0	0
* (To)/from property, plant and equipment	811	0
Other charges	0	0
<b>Balance at year end</b>	<b>63,350</b>	<b>79,264</b>

#### 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 £1,499k charged to revenue in 2011/12 (£1,658k 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.

The movement on Intangible Asset balances during the year is as follows:

	2010/11			2011/12		
	<u>Internally generated</u> £'000	<u>Other</u> £'000	<u>Total</u> £'000	<u>Internally generated</u> £'000	<u>Other</u> £'000	<u>Total</u> £'000
<b>Balance at start of the year</b>						
* 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)
Net carrying amount at start of year	0	4,922	4,922	0	5,744	5,744
* Internal development	0	0	0	0	0	0
* Purchases	0	1,369	1,369	0	1,415	1,415
* From Assets under construction	0	1,111	1,111	0	1,024	1,024
* Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
<b>Other disposals</b>						
Disposals	0	0	0	0	(34)	(34)
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
<b>Reversals of past impairment losses written back to the surplus/(deficit) on the provision of services:</b>						
Amortisation for the period	0	(1,658)	(1,658)	0	(1,499)	(1,499)
other charges	0	0	0	0	0	0
<b>Net carrying amount at the year end</b>	<b>0</b>	<b>5,744</b>	<b>5,744</b>	<b>0</b>	<b>6,650</b>	<b>6,650</b>
<b>Comprising:</b>						
* Gross carrying amounts	0	12,210	12,210	0	14,615	14,615
* Accumulated amortisation	0	(6,466)	(6,466)	0	(7,965)	(7,965)
	<b>0</b>	<b>5,744</b>	<b>5,744</b>	<b>0</b>	<b>6,650</b>	<b>6,650</b>

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:

	2010/11		2011/12	
	<u>Long term</u> <u>£'000</u>	<u>Current</u> <u>£'000</u>	<u>Long term</u> <u>£'000</u>	<u>Current</u> <u>£'000</u>
<u>Investments:</u>				
Loans and receivables	4,602	41,536	4,688	12,796
Available for sale financial assets	398	0	312	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total Investments</b>	<b>5,000</b>	<b>41,536</b>	<b>5,000</b>	<b>12,796</b>
<u>Debtors:</u>				
Loans and receivables	654	43,435	1,143	40,232
Financial assets carried at contract amounts	0	0	0	0
<b>Total Debtors</b>	<b>654</b>	<b>43,435</b>	<b>1,143</b>	<b>40,232</b>
<u>Borrowings:</u>				
Financial liabilities at amortised cost	(153,621)	(646)	(313,678)	(5,038)
Financial liabilities at fair value through profit & loss	0	0	0	0
<b>Total Borrowing</b>	<b>(153,621)</b>	<b>(646)</b>	<b>(313,678)</b>	<b>(5,038)</b>
<u>Other long term liabilities:</u>				
PFI and finance lease liabilities	(18,453)	-	(18,005)	-
Liability related to defined benefit pension scheme	(197,282)	-	(249,620)	-
Investment funds	(34)	-	0	-
<b>Total other long term liabilities</b>	<b>(215,769)</b>	<b>-</b>	<b>(267,625)</b>	<b>-</b>
<u>Creditors:</u>				
Financial liabilities at amortised cost	0	-	0	-
Financial liabilities carried at contract amount	-	(56,281)	-	(51,137)
Finance Leases - fleet vehicles	(16)	(19)	0	(16)
Finance Leases - multi functional device printers	(560)	(371)	(355)	(371)
<b>Total creditors</b>	<b>(576)</b>	<b>(56,671)</b>	<b>(355)</b>	<b>(51,524)</b>
<b>Grand total</b>	<b>(364,313)</b>	<b>27,655</b>	<b>(575,515)</b>	<b>(3,534)</b>

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.

Material soft loans made by the Council:

There are no material soft loans made by the Council in 2011/12, those loans that are deemed soft (travel loans, cycle loans etc) are immaterial.

Reclassifications:

In 2011/12, the Council did not re-classify any of its investments. For clarity "Other Land & Buildings" has been split into HRA and non-HRA parts.

Income, Expense, Gains and Losses:

2011/12	<u>Financial liabilities at amortised cost</u>	<u>Financial Asset loans &amp; received</u>	<u>Financial Assets available for sale</u>	<u>Assets/Liabilities at Fair Value through Profit &amp; Loss</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Interest expense	5,703	-	0	-	5,703
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	-	-	-	0	0
Fee expense	-	0	-	-	0
<b>Total expense in (surplus)/deficit on the provision of services</b>	<b>5,703</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,703</b>
Interest income	-	(882)	(243)	-	(1,125)
Interest income accrued on impaired financial asset	-	0	-	-	0
Increases in fair value	-	-	-	0	0
Gains on de-recognition	0	0	0	0	0
Fee income	0	0	0	0	0
<b>Total income in (surplus)/deficit on the provision of services</b>	<b>0</b>	<b>(882)</b>	<b>(243)</b>	<b>0</b>	<b>(1,125)</b>
Gain on revaluation	-	-	0	-	0
Losses on revaluation	-	-	0	-	0
Amounts recycled to the surplus/deficit on the provision of services after impairment	-	-	0	-	0
<b>(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>
<b>Net (gain)/loss for the year</b>	<b>5,703</b>	<b>(882)</b>	<b>(243)</b>	<b>0</b>	<b>4,578</b>

2010/11	<u>Financial liabilities at amortised cost</u>	<u>Financial Asset loans &amp; received</u>	<u>Financial Assets available for sale</u>	<u>Assets/Liabilities at Fair Value through Profit &amp; Loss</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Interest expense	5,718	-	0	-	5,718
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	-	-	-	0	0
Fee expense	-	0	-	-	0
<b>Total expense in (surplus)/deficit on the provision of services</b>	<b>5,718</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,718</b>
Interest income	-	(1,035)	(306)	-	(1,341)
Interest income accrued on impaired financial asset	-	0	-	-	0
Increases in fair value	-	-	-	0	0
Gains on de-recognition	0	0	0	0	0
Fee income	0	0	0	0	0
<b>Total income in (surplus)/deficit on the provision of services</b>	<b>0</b>	<b>(1,035)</b>	<b>(306)</b>	<b>0</b>	<b>(1,341)</b>
Gain on revaluation	-	-	(56)	-	(56)
Losses on revaluation	-	-	3	-	3
Amounts recycled to the surplus/deficit on the provision of services after impairment	-	-	0	-	0
<b>(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>-</b>	<b>(53)</b>	<b>-</b>	<b>(53)</b>
<b>Net (gain)/loss for the year</b>	<b>5,718</b>	<b>(1,035)</b>	<b>(359)</b>	<b>0</b>	<b>4,324</b>

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>2010/11</u> <u>Carrying amount</u> <u>£'000</u>	<u>2010/11</u> <u>Fair Value</u> <u>£'000</u>	<u>2011/12</u> <u>Carrying amount</u> <u>£'000</u>	<u>2011/12</u> <u>Fair Value</u> <u>£'000</u>
Financial Liabilities	(155,540)	(161,563)	(320,022) <sup>8</sup>	(350,829)
Long term creditors	(576)	(576)	(355)	(355)

	<u>2010/11</u> <u>Carrying amount</u> <u>£'000</u>	<u>2010/11</u> <u>Fair Value</u> <u>£'000</u>	<u>2011/12</u> <u>Carrying amount</u> <u>£'000</u>	<u>2011/12</u> <u>Fair Value</u> <u>£'000</u>
Loans and receivables	46,138	46,138	27,290	27,290
Long term debtors	654	654	1,143	1,143

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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Balance outstanding at start of year	46	48	0	0	46	48
Purchases	48	0	0	0	48	0
Recognised as an expense in year	(46)	(48)	0	0	(46)	(48)
Written off balances	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0
<b>Balance outstanding at year end</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>0</b>

Inventories have been assessed as immaterial for 2011/12.

<sup>8</sup> (£5,038k) short term borrowing + (£313,678k) long term borrowing + (£1,306k) interest accrual = (£320,022k)

Note 17) Construction Contracts

At 31 March 2012 the Council had not undertaken any construction work as a contractor for its customers. The CIPFA Code of Practice on accounting requirements for construction contracts do not apply to assets under construction belonging to local authorities.

Note 18) Debtors

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	19,200	11,380
Other Local Authorities	9,262	6,308
NHS bodies	4,442	2,577
Public corporations and trading funds	6,549	3,453
Other entities and individuals *	26,226	34,844
Bad debt provisions	(2,287)	(2,942)
<b>Total</b>	<b>63,392</b>	<b>55,620</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Cash held by the Council	0	0
Bank current accounts	5,057	34,779
Cash equivalents - liquid short term investment (overnight)	0	9,804
Short term deposits with building societies	0	0
<b>Total Cash and Cash Equivalents</b>	<b>5,057</b>	<b>44,583</b>

The considerable year on year variance is due to:

- £20m more cash held on the Council's liquidity fund
- £8m more cash held on the Schools advances fund
- £9.8m new cash held in liquid short term investment overnight call account.

Note 20) Assets Held for Sale

	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
	<u>2010/11</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	660	0	855	0
Assets newly classified as held for sale:				
* Property, Plant & Equipment	525	0	2,961	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	(525)	0
* Intangible assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(330)	0	0	0
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
<b>Balance outstanding at year end</b>	<b>855</b>	<b>0</b>	<b>3,291</b>	<b>0</b>

Note 21) Creditors

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	(10,113)	(8,174)
Other Local Authorities	(17,214)	(13,237)
NHS bodies	(904)	(332)
Public corporations and trading funds	(20,363)	(7,659)
Other entities and individuals	(9,399)	(21,743)
Finance leases - fleet vehicles	(19)	(16)
Finance leases - multi functional devices printers	(371)	(371)
<b>Total</b>	<b>(58,383)</b>	<b>(51,532)</b>

Note 22) Provisions

	<u>Outstanding</u>	<u>Injury &amp; damage</u>	<u>Other</u>	<u>Total</u>
	<u>legal cases</u>	<u>compensation</u>	<u>provisions</u>	
	<u>£'000</u>	<u>claims</u>	<u>£'000</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	(525)	(3,332)	(51)	(3,908)
Additional provisions made in year	(478)	(588)	(348)	(1,413)
Amounts used in year	234	997	51	1,282
Unused amounts reversed in year	235	92	0	327
Unwinding of discounting in year	0	0	0	0
<b>Balance outstanding at year end</b>	<b>(534)</b>	<b>(2,831)</b>	<b>(348)</b>	<b>(3,713)</b>

All provisions with a balance as at 31/03/2012 are considered short term provisions.

Outstanding Legal Cases:

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

- Ongoing legal cases (details withheld for confidentiality purposes)
- Contractual claims
- Disputed charges.



Injury and Compensation Claims:

The Council has a number of 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 Council for injury or damage compensation. They relate to personal injuries sustained where the Council is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Council will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. The Council 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 £100,000 excess
- Various cases have been lodged against the Council for alleged 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 Council'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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
General Fund Reserve	(6,990)	(10,394)
General Fund Earmarked Reserves	(12,090)	(18,526)
Housing Revenue Account Balance	(3,742)	(3,905)
HRA Earmarked Reserves	(46)	0
Usable Capital Receipts Reserve	(2,568)	0
Community Infrastructure Levy	0	0
Capital Grants Unapplied	(1,480)	(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	(11,332)	(10,240)
	<b>(38,448)</b>	<b>(44,745)</b>

Note 24) Unusable Reserves

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

	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Revaluation Reserve (a)	(50,019)	(44,952)
Available for Sale Financial Instruments Reserve (b)	398	312
Capital Adjustment Account (c)	(828,163)	(564,461)
Financial Instruments Adjustment Account (d)	2,065	1,949
Pension Reserve (e)	197,282	249,620
Deferred Capital Receipts (f)	(72)	(72)
Collection Fund Adjustment Account (g)	1,292	1,581
Single Status Reserve / unequal pay (h)	0	0
Accumulating Compensated Absences Account (i)	5,687	8,309
	<b>(671,531)</b>	<b>(347,715)</b>

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
- 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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Balance at start of year	(43,163)	(50,019)
Upward revaluation of assets	(14,181)	(15,704)
Downward revaluation of assets & impairment losses not charged to the (surplus) / deficit on the provision of services	4,402	6,421
(Surplus) / deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	(9,779)	(9,284)
Difference between fair value depreciation and historical cost depreciation	1,222	1,000
Accumulated gains on assets sold or scrapped	1,701	13,351
Amount written off to the Capital Adjustment Account	2,923	14,351
<b>Balance at year end</b>	<b>(50,019)</b>	<b>(44,952)</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	415	398
Upward revaluation of investments	65	13
Downward revaluation of investments not charged to the (surplus) / deficit on the provision of services	(82)	(99)
	<b>398</b>	<b>312</b>
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of other investment income	0	0
<b>Balance at year end</b>	<b>398</b>	<b>312</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at 1st April	(870,759)	(828,163)
Reversal of items relating to capital expenditure debits/credits to Comprehensive Income and Expenditure Statement:		
* Charges for depreciation and impairment of non-current assets	22,727	22,958
* Revaluation losses on Plant, Property & Equipment	42,476	13,594
* Amortisation of intangible assets	1,658	1,499
* Revenue expenditure funded from capital under statute	12,103	23,890
* 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	34,801	134,273
* HRA self financing		164,995
* Revaluations reversing previous revaluation losses		(15,761)
	<u>113,765</u>	<u>345,448</u>
Adjusting amounts written out of the Revaluation Reserve	(2,923)	(8,947)
Net written out amount of the cost of non-current assets consumed in the year	110,842	336,501
Capital financing applied in the year:		
* Use of Capital Receipts Reserve to finance new capital expenditure	(29,836)	(3,780)
* Use of the Major Repairs Reserve to finance new capital expenditure	(3,709)	(3,805)
* Capital grants and contribution's credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,004)	(41,808)
* Application of grants to capital financing of capital investment charged against the General Fund and HRA balances	690	0
* Statutory provision for the financial of capital investment charged against the General Fund and HRA balances	(7,024)	(5,872)
* Capital expenditure charged against the General Fund and HRA balances	(1,502)	(1,288)
	<u>(62,385)</u>	<u>(56,553)</u>
Movement in the market value of Investment Properties debits / credits to the Comprehensive Income and Expenditure Statement	(5,861)	(16,246)
Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	0	0
<b>Balance at 31st March</b>	<b>(828,163)</b>	<b>(564,461)</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	2,505	2,065
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(440)	(116)
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0	0
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	(440)	(116)
<b>Balance at year end</b>	<b>2,065</b>	<b>1,949</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	326,356	197,282
Actuarial gains or losses on pensions assets and liabilities	(73,200)	55,218
Reversal items relating to retirement benefits debited / credited to the (surplus) / deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(37,769)	14,519
Employers pensions contributions and direct payments to pensions payable in year	(18,105)	(17,399)
<b>Balance at year end</b>	<b>197,282</b>	<b>249,621</b>

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>2010/11</u>	<u>2011/12</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
<b>Balance at year end</b>	<b>(72)</b>	<b>(72)</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	0	1,292
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	1,292	289
<b>Balance at year end</b>	<b>1,292</b>	<b>1,581</b>

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 and is no longer required.

	<u>2010/11</u> £'000	<u>2011/12</u> £'000
Balance at start of year	2,625	0
Increase in provision for back pay in relation to equal pay cases	(2,625)	0
Cash settlements paid in the year	0	0
<b>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</b>	<b>0</b>	<b>0</b>
<b>Balance at year end</b>	<b>0</b>	<b>0</b>

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>2010/11</u> £'000	<u>2011/12</u> £'000
Balance at start of year	8,013	5,687
Settlement or cancellation of accrual made at the end of the preceding year	(8,013)	(5,687)
Amounts accrued at the end of the current year	5,687	8,309
<b>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</b>	<b>(2,326)</b>	<b>2,622</b>
<b>Balance at year end</b>	<b>5,687</b>	<b>8,309</b>

Note 25) Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	<u>2010/11</u> £'000	<u>2011/12</u> £'000
Net surplus / (deficit) on the provision of services	(4,802)	(273,627)
- Depreciation and impairment	24,385	38,053
- Pension fund adjustment	55,873	2,880
- Other movements in the General Fund	(15,947)	427,216
- Repayment of loans	6,129	5,648
- Revenue contributions to capital	667	458
- Contributions to provisions	(4,960)	(195)
- Contributions to capital reserves	(19,222)	(208,826)
- Contributions to revenue reserves	6,385	5,297
- (Increase) / decrease in stock	(2)	48
- (Increase) / decrease in debtors	(7,952)	7,772
- (Increase) / decrease in creditors	(8,702)	(2,898)
	36,654	275,453
- Interest and investment income	4,765	4,694
- Revenue Funding Capital under Statute	(12,103)	(23,890)
- Gain / (loss) on disposal of assets	(33,029)	(138,396)
	(40,367)	(157,592)
<b>Net cash flows from operating activities</b>	<b>(8,515)</b>	<b>(155,766)</b>

Note 26) Cash Flow Statement - Investing Activities

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Purchase of property, plant and equipment, investment properties and intangible assets	(40,289)	(41,799)
Purchase of short term and long term investments	1,497	1,177
Other payments for investing activities	(5,456)	(5,703)
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	1,206	2,152
Capital grants	32,375	51,758
Proceeds from short term and long term investments	13,909	28,740
<b>Net cash flows from investing activities</b>	<b>3,242</b>	<b>36,325</b>

Note 27) Cash Flow Statement - Financing Activities

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Other receipts from financing activities	6	4
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	(704)	(448)
Repayments of short term and long term borrowing	(5,565)	159,411
Other payments for financing activities	(2)	0
<b>Net cash flows from financing activities</b>	<b>(6,265)</b>	<b>158,967</b>

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 *Service Reporting 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)	Corporate Services <sup>9</sup>	Social Care, Health & Housing	Sustainable Communities	Total
	£'000	£'000	£'000	£'000	£'000
<b>2011/12</b>					
Directorate Net Budget	35,623	26,458	55,701	50,669	168,451
Corporate costs (including Contingency & Reserves)	-	-	-	-	12,798
<b>Total Net Budget</b>	-	-	-	-	<b>181,249</b>
Directorate income and expenditure:					
* Fees, charges & other service income	(157,205)	(89,046)	(59,745)	(12,371)	(318,367)
Total income	(157,205)	(89,046)	(59,745)	(12,371)	(318,367)
* Employee expenses	140,555	66,999	18,272	17,813	243,639
* Other service expenses	48,694	48,813	93,212	44,360	235,079
* transfers to and (from) reserves	2,259	1,082	2,147	(27)	5,461
Total expenditure	191,508	116,894	113,631	62,146	484,179
Net Directorate expenditure reported to management	34,303	27,848	53,886	49,775	165,812
Corporate costs (including Contingency & Reserves)	-	-	-	-	14,943
<b>Net expenditure reported to management</b>	-	-	-	-	<b>180,755</b>
<b>Variance reported to management</b>	-	-	-	-	<b>Surplus 494</b>
<b>2010/11</b>					
Directorate Net Budget	32,310	26,916	50,976	47,310	157,512
Corporate costs (including Contingency & Reserves)	-	-	-	-	19,516
<b>Total Net Budget</b>	-	-	-	-	<b>177,028</b>
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
<b>Net expenditure reported to management</b>	-	-	-	-	<b>176,701</b>
<b>Variance reported to management</b>	-	-	-	-	<b>Surplus 327</b>

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.

<sup>9</sup> Previously titled "Customer & shared services Office of the Chief Executive".



	<u>2010/11</u> £'000	<u>2011/12</u> £'000
Directorate analysis excluding recharges	148,515	155,564
Allocation of recharges (Directorate detail below)	28,186	25,191
Net expenditure in the Directorate analysis	176,701	180,755
Net expenditure of services and support services not included in the analysis	(2,193)	146,640
Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis (Directorate detail below)	(600)	33,810
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>173,908</b>	<b>361,205</b>

The majority of the £146,640k 'Net expenditure of services and support services not included in the analysis' is the £164,995k HRA self financing payment to the Secretary of State, see the Comprehensive Income and Expenditure Statement – Exceptional Item.

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

	<u>Children's Services (includes schools)</u>	<u>Customer &amp; Shared Services Office of the Chief Executive</u>	<u>Social Care, Health &amp; Housing</u>	<u>Sustainable Communities</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000
<b><u>2011/12</u></b>					
<u>Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis:</u>					
* Depreciation, amortisation & impairment	14,519	6,428	8,518	10,495	<b>39,960</b>
* Pensions (current service cost / employers contributions / unfunded elements)	(1,630)	(1,053)	(1,936)	(1,676)	<b>(6,295)</b>
* Pensions (past service costs)	38	24	45	39	<b>145</b>
					<b>33,810</b>
<u>Allocation of recharges:</u>					
* Support Service recharges	(3,915)	(1,316)	(1,264)	(1,456)	(7,951)
* Support Service recharges	13,675	5,130	6,367	7,970	33,142
					<b>25,191</b>
<b><u>2010/11</u></b>					
<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	<b>66,861</b>
* Pensions (current service cost / employers contributions / unfunded elements)	(1,768)	(203)	(1,536)	(1,187)	<b>(4,694)</b>
* Pensions (past service costs)	(23,641)	(2,714)	(20,539)	(15,872)	<b>(62,767)</b>
					<b>(600)</b>
<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
					<b>28,186</b>

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)								
<b>2011/12</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fee, charges & other service income	(86,265)	(7,951)	(94,216)	(4,189)	-	-	(98,405)	-	(98,405)
(Surplus) / deficit on associates & joint ventures	-	-	-	-	-	-	-	-	-
Interest & Investment Income (note 10)	-	-	-	-	-	-	-	(1,125)	(1,125)
Income from Council Tax (note 38)	-	-	-	-	-	-	-	(136,659)	(136,659)
Government grants and contributions (note 38)	(265,244)	-	(265,244)	-	-	-	(265,244)	(95,894)	(361,138)
Expected return on pension assets (note 10)	-	-	-	-	-	-	-	(20,991)	(20,991)
Investment properties value, expenses and rents	-	-	-	-	-	-	-	(17,565)	(17,565)
<b>Total Income</b>	<b>(351,509)</b>	<b>(7,951)</b>	<b>(359,460)</b>	<b>(4,189)</b>	<b>-</b>	<b>-</b>	<b>(363,650) *</b>	<b>(272,234)</b>	<b>(635,883)</b>
Employee expenses	243,639	-	243,639	-	-	-	243,639	-	243,639
Other service expenses	263,434	-	263,434	150,829	(6,150)	-	408,113	-	408,113
Support service recharges	-	33,142	33,142	-	-	-	33,142	-	33,142
Depreciation, amortisation and impairment	-	-	-	-	39,960	-	39,960	-	39,960
Interest payments (note 10)	-	-	-	-	-	-	-	7,504	7,504
Pension interest costs (note 10)	-	-	-	-	-	-	-	28,832	28,832
Precepts and Levies (note 9)	-	-	-	-	-	-	-	9,280	9,280
Payment to Housing Capital Receipts Pool (note 9)	-	-	-	-	-	-	-	644	644
Gain or loss on disposal of fixed assets (note 9)	-	-	-	-	-	-	-	138,396	138,396
<b>Total Expenditure</b>	<b>507,073</b>	<b>33,142</b>	<b>540,215</b>	<b>150,829</b>	<b>33,810</b>	<b>-</b>	<b>724,855 *</b>	<b>184,656</b>	<b>909,510</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>155,564</b>	<b>25,191</b>	<b>180,755 **</b>	<b>146,640</b>	<b>33,810</b>	<b>-</b>	<b>361,205 *</b>	<b>(87,578) *</b>	<b>273,627 *</b>
<b>2010/11</b>	£'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	-	-	-	-	-	-	-	-	-
Interest & Investment Income (note 10)	-	-	-	-	-	-	-	(1,393)	(1,393)
Income from Council Tax (note 38)	-	-	-	-	-	-	-	(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)	-	-	-	-	-	-	-	(23,446)	(23,446)
Investment properties value, expenses and rents	-	-	-	-	-	-	-	(7,128)	(7,128)
<b>Total Income</b>	<b>(307,463)</b>	<b>(8,442)</b>	<b>(315,904)</b>	<b>(106,426)</b>	<b>-</b>	<b>-</b>	<b>(422,330) *</b>	<b>(253,424)</b>	<b>(675,754)</b>
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)	-	-	-	-	-	-	-	6,731	6,731
Pension interest costs (note 10)	-	-	-	-	-	-	-	34,708	34,708
Precepts and Levies (note 9)	-	-	-	-	-	-	-	9,176	9,176
Payment to Housing Capital Receipts Pool (note 9)	-	-	-	-	-	-	-	621	621
Gain or loss on disposal of fixed assets (note 9)	-	-	-	-	-	-	-	33,082	33,082
<b>Total Expenditure</b>	<b>455,977</b>	<b>36,628</b>	<b>492,605</b>	<b>104,233</b>	<b>(600)</b>	<b>-</b>	<b>596,238 *</b>	<b>84,318</b>	<b>680,556</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>148,515</b>	<b>28,186</b>	<b>176,701 **</b>	<b>(2,193)</b>	<b>(600)</b>	<b>-</b>	<b>173,908 *</b>	<b>(169,106) *</b>	<b>4,802</b>

Note 29) Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2011/12.

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:

		2010/11		2011/12	
		£'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	(1,270)		(1,302)	
Cumulative spend over 3 years: £3,338k	Expenditure (Surplus)/deficit	1,158	(112)	1,128	(174)
<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	(1,508)		(1,371)	
Cumulative spend over 3 years: £4,131k	Expenditure (Surplus)/deficit	1,504	(3)	1,369	(2)
<u>Leighton Buzzard Theatre:</u>					
A theatre and cinema venue based in Leighton Buzzard.	Turnover	(168)		(172)	
Cumulative spend over 3 years: £1,024k	Expenditure (Surplus)/deficit	330	163	347	176
<u>Building Control:</u>					
The processing of building regulation applications, site inspections and related fee earning activities.	Turnover	(748)		(601)	
Cumulative spend over 3 years: £1,741k	Expenditure (Surplus)/deficit	644	(103)	555	(47)
<u>Industrial Units, Estates and Business Units:</u>					
Rental and other income, and expenditure relating to various industrial estates and business units.	Turnover	(507)		(781)	
Cumulative spend over 3 years: £705k	Expenditure (Surplus)/deficit	221	(287)	262	(519)
<u>Shops and Offices:</u>					
Rental and other income, and expenditure relating to various shops and offices.	Turnover	(635)		(618)	
Cumulative spend over 3 years: £225k	Expenditure (Surplus)/deficit	62	(574)	46	(572)
<u>Community Buildings:</u>					
Rental and other income, and expenditure relating to Beecroft Centre in Dunstable.	Turnover	(4)		(3)	
Cumulative spend over 3 years: £0k	Expenditure (Surplus)/deficit	0	(4)	0	(3)
<u>Community Leases/Licenses:</u>					
Rental and other income, and expenditure relating to various land and property.	Turnover	(16)		(29)	
Cumulative spend over 3 years: £96k	Expenditure (Surplus)/deficit	70	54	22	(8)

Continued...

<b>Depots &amp; Storage Facilities:</b>				
Rental and other income, and expenditure relating to various depots and storage facilities.	Turnover	(66)	(57)	
Cumulative spend over 3 years: £23k	Expenditure (Surplus)/deficit	39	(58) <sup>10</sup>	(116)
<b>Farm Estates:</b>				
Rental and other income, and expenditure relating to farm estates.	Turnover	(571)	(813)	
Cumulative spend over 3 years: £329k	Expenditure (Surplus)/deficit	94	145	(668)
<b>Criminal Records Bureau:</b>				
An administration service to Central Bedfordshire Council, Schools and other external organisations.	Turnover	(164)	(200)	
Cumulative spend over 3 years: £453k	Expenditure (Surplus)/deficit	148	150	(50)
<b>HEART supply Agency:</b>				
A supply agency of teachers and support staff to Schools.	Turnover	(159)	(95)	
Cumulative spend over 3 years: £483k	Expenditure (Surplus)/deficit	174	118	22
<b>Schools HR:</b>				
A provision of HR services for schools.	Turnover	(306)	(451)	
Cumulative spend over 3 years: £1,488k	Expenditure (Surplus)/deficit	613	575	124
<b>Schools Traded Services:</b>				
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	(814)	(666)	
Cumulative spend over 3 years: £1,899k	Expenditure (Surplus)/deficit	751	517	(149)
<b>Silsoe Horticultural Centre:</b>				
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	(36)	(30)	
Cumulative spend over 3 years: £703k	Expenditure (Surplus)/deficit	259	221	191
<b>Ludun Sheltered Placement:</b>				
A supported workshop involved with wood machinery, wood treatment and picture framing.	Turnover	(220)	(64)	
Cumulative spend over 3 years: £1,263k	Expenditure (Surplus)/deficit	674	73	8
<b>Net (surplus) / deficit on trading operations</b>		<b>(451)</b>		<b>(1,784)</b>

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):

	2010/11 £'000	2011/12 £'000
Net surplus on trading operations	(451)	(1,784)
Support services recharged to Expenditure of Continuing Operations	0	0
Services to the public included in the Expenditure of Continuing Operations	0	0
<b>Net surplus credited to Other Operating Expenditure</b>	<b>(451)</b>	<b>(1,784)</b>

<sup>10</sup> The (£58k) total expenditure includes a (£59k) rebate, hence negative expenditure.

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

Central Bedfordshire Council (CBC) 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 the geographical area. During 2011/12 the Council continued responsibility for hosting the pooled budget.

The partners contributed funds to the agreed budget equal to 21% (CBC), 13% (BBC) and 66% (NHSB) of the budget respectively. The same proportions were 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 outlined below:

<u>Bedfordshire Community Equipment Service:</u>	<u>2010/11</u>		<u>2011/12</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Funding provided to the pooled budget:				
Central Bedfordshire Council	(370)		(426)	
Bedford Borough Council	(247)		(268)	
NHS Bedfordshire	(1,199)		(1,317)	
		(1,816)		(2,011)
Expenditure met from the pooled budget:				
Luton Borough Council	0		0	
Central Bedfordshire Council	1,816		2,011	
Bedford Borough Council	0		0	
NHS Bedfordshire	0		0	
		1,816		2,011
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>		<b>0</b>		<b>0</b>
CBC share of 21.2% 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 the parties outlined:

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Salaries (to members)	1,088	986
Allowances (to members)	3	6
NI (tax)	86	76
Pension (to Pension Fund)	70	64
Expenses (to members)	121	126
<b>Total</b>	<b>1,368</b>	<b>1,257</b>

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 2011/12, this classification included the:

- Chief Executive
- Four Directors
- Two Section 151 Officers (John Unsworth until the end of June 2011 under an interim management contract, then Charles Warboys a full time employee for the rest of the financial year)
- Monitoring Officer.

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

	<u>Salary, Fees &amp; Allowances</u> £	<u>Expenses allowances</u> £	<u>Compens- ation for loss of office</u>	<u>Total Remuneration excluding Pension Contributions</u>	<u>Pensions contributions</u> £	<u>Total</u> £
Gary Alderson- Director of Sustainable Communities (sabbatical Jun to Oct 2011)						
2011/12	100,150	199	0	100,349	21,789	122,138
2010/11	129,385	942	0	130,327	28,032	158,358
Alan Fleming- Acting Director of Sustainable Communities (cover Jun to Oct 2011)						
2011/12	103,619	1,326	0	104,945	22,549	127,491
2010/11	-	-	-	-	-	-
John Atkinson- Monitoring Officer (from July 2010)						
2011/12	72,057	838	0	72,895	15,675	88,570
2010/11	72,032	786	0	72,818	15,496	88,314
Matt Bowmer- S151 Officer (left in February 2011)						
2011/12	-	-	-	-	-	-
2010/11	81,741	2,283	0	84,024	17,608	101,633
Charles Warboys- S151 Officer (from June 2011)						
2011/12	67,092	676	0	67,768	14,634	82,402
2010/11	-	-	-	-	-	-
Richard Carr- Chief Executive (started October 2009)						
2011/12	184,213	897	0	185,109	40,110	225,219
2010/11	186,750	1,505	0	188,255	40,515	228,770
Richard Ellis- Director of Customer & Shared Services (left in July 2011)						
2011/12	40,777	77	88,060	128,914	8,848	137,761
2010/11	131,739	649	0	132,388	28,579	160,967
Edwina Grant- Director of Children's Services (also acts as Deputy Chief Executive)						
2011/12	155,987	1,964	0	157,951	33,984	191,936
2010/11	157,987	1,833	0	159,820	34,328	194,148
Julie Ogley- Director of Social Care, Health & Housing						
2011/12	142,615	474	0	143,089	31,097	174,186
2010/11	144,669	0	0	144,669	31,411	176,080
<b>TOTAL 2011/12</b>	<b>866,509</b>	<b>6,450</b>	<b>88,060</b>	<b>961,020</b>	<b>188,683</b>	<b>1,149,702</b>
<b>TOTAL 2010/11</b>	<b>904,303</b>	<b>7,998</b>	<b>0</b>	<b>912,301</b>	<b>195,969</b>	<b>1,108,270</b>

John Unsworth was the S151 officer from 14<sup>th</sup> February 2011 until 30<sup>th</sup> June 2011 when he took on another role in the Council. He was not an employee of the Council but provided services under an interim management contract. The cost to the Council from 1<sup>st</sup> April 2011 to 30<sup>th</sup> June 2011 was £54k, 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.

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>2010/11</u>	<u>2011/12</u>	<u>2010/11</u>	<u>2011/12</u>
	<u>Number of permanent employees</u>	<u>Number of permanent employees</u>	<u>Number of temporary employees and interim managers</u>	<u>Number of temporary employees and interim managers</u>
£50,000-£54,999	96	78	5	11
£55,000-£59,999	55	41	4	5
£60,000-£64,999	42	35	3	9
£65,000-£69,999	26	19	4	3
£70,000-£74,999	16	8	10	3
£75,000-£79,999	7	5	2	3
£80,000-£84,999	4	7	1	1
£85,000-£89,999	7	4	0	0
£90,000-£94,999	7	1	0	1
£95,000-£99,999	1	1	0	2
£100,000-£104,999	0	0	0	0
£105,000-£109,999	0	0	0	0
£110,000-£114,999	0	0	0	0
£115,000-£119,999	1	0	2	0
£120,000-£124,999	0	0	0	0
£125,000-£129,999	1	0	0	0
£130,000-£134,999	0	0	0	0
£135,000-£139,999	0	0	1	0
£140,000-£144,999	0	0	0	0
£145,000-£149,999	0	0	0	1
£150,000-£154,999	0	0	0	1
£155,000-£159,999	0	0	0	1
£160,000-£164,999	0	0	0	0
£165,000-£169,999	0	0	0	0
£170,000-£174,999	0	0	0	0
£175,000-£179,999	0	0	0	1
<b>Total</b>	<b>263</b>	<b>199</b>	<b>32</b>	<b>42</b>

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

#### Exit Packages:

The total cost of £2.943m in the table below includes all exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. The Council's Comprehensive Income and Expenditure Statement does not include any provision for exit packages, however there is a £3.329m Redundancy / Harmonisation earmarked reserve established for future exit packages.

The table below includes all benefits on termination i.e. redundancy, pay in lieu of notice, severance and actuarial strain etc.

Exit package cost band (inc special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20k	58	156	0	0	58	156	411	963
£20k-£40k	24	30	0	0	24	30	628	813
£40k-£60k	5	13	0	0	5	13	240	632
£60k-£80k	2	6	0	0	2	6	157	421
£80k-£100k	0	0	0	0	0	0	0	0
£100k-£150k	1	1	0	0	1	1	111	114
<b>Total</b>	<b>90</b>	<b>206</b>	<b>0</b>	<b>0</b>	<b>90</b>	<b>206</b>	<b>1,547</b>	<b>2,943</b>

The above listing excludes schools staff, note 45 (which states 260 exit packages) includes schools.

#### 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:

	2010/11 £'000	2011/12 £'000
Fees payable to Audit Commission with regard to external audit services carried out by appointed auditor for the year	343	308
Fees payable to Audit Commission in respect of statutory inspections	0	0
Fees payable to Audit Commission for certification of grant claims and returns for the year	90	85
Fees payable in respect of other services provided by Audit Commission during the year	0	0
Less: Rebates received from the Audit Commission	<b>(30)</b>	<b>(25)</b>
<b>Total</b>	<b>403</b>	<b>368</b>

#### Note 37) Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements were £10.240m at 31 March 2012 (£11.332m 2010/11), which is carried forward into 2012/13.

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 Council-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 2011/12 was used are as follows:

<b><u>Schools budgets funded from DSG:</u></b>	<u>Central Expenditure</u>	<u>Individual Schools Budgets</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Final DSG for 2011/12	-	-	143,620
Brought forward from 2010/11	-	-	1,066
Carry forward to 2012/13 agreed in advance	-	-	0
Agreed budgeted distribution in 2011/12	11,057	132,563	144,686
Actual central expenditure	10,112	-	-
Actual ISB deployed to Schools	-	132,725	-
Council contribution for 2011/12	0	0	0
<b>Carry forward to 2012/13</b>	<b>945</b>	<b>(162)</b>	<b>1,849</b>
<b><u>Reserves:</u></b>			
Brought forward from 2010/11			1,066
Spend in 2011/12			(166)
Balance			900
Increase from DSG under spend			949
<b>Balance at year end 2011/12</b>			<b>1,849</b>
Net increase/(decrease) on reserves			783

Note 38) Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<b><u>Credited to taxation and non specific grant income:</u></b>		
* Council Tax	(134,646)	(136,659)
* NNDR	(44,284)	(38,638)
* RSG and non-ring fenced govt grants	(18,087)	(15,145)
- Section 106	(1,597)	(1,793)
- Section 278	(1,921)	(1,580)
- Devolved Formula Capital	(3,918)	(2,208)
- Sure Start	(2,187)	0
- Standards Fund	(6,025)	(3,825)
- Modernisation	(1,959)	(1,477)
- Integrated schemes	(2,025)	(5,326)
- All Saints Academy funding	0	(7,565)
- Basic Needs Grant	0	(2,132)
- Schools Capital Maintenance	0	(2,617)
- Growth Area Funding	0	(6,889)
- NHS Campus Closure	0	(1,803)
- Community Development - Dunstable	0	(1,686)
- Others (individually less than £1m)	(4,807)	(3,210)
* Recognised capital grants and contributions	(24,440)	(42,111)
* Non-service related Government grants	0	0
<b>Total</b>	<b>(221,457)</b>	<b>(232,553)</b>

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<u>Credited to services:</u>		
* Dedicated Schools Grant	(146,441)	(143,620)
* Housing Benefit Subsidy	(74,422)	(73,446)
* Standards Fund	(12,778)	(2,870)
* ISB Related YPLA	(16,425)	(11,927)
* Learning Disability & Health Reform	0	(9,841)
* Early Intervention Grant	0	(8,980)
* Sure Start Early Years and Childcare	(6,867)	(54)
* School Standards Grant	(7,138)	0
* NHS Grant	0	(2,252)
* Housing Benefit Administration	0	(1,510)
* Adult & Community Learning	(1,834)	(1,488)
* Pupil Premium	0	(1,483)
* New Homes	0	(1,121)
* Learning Disability Campus Closure	(1,563)	0
* School Standards Grant (Personalisation)	(1,254)	0
* Other YPLA funding	(1,951)	0
* Drug & Alcohol Misuse	(1,052)	(707)
* Other Grants (individually less than £1m)	(10,380)	(5,944)
<b>Total</b>	<b>(282,106)</b>	<b>(265,244)</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<u>Capital Grants receipts in advance:</u>		
* Devolved Formula Capital (Department for Education)	(3,326)	(2,048)
* Standards Fund (Department for Education)	(5,042)	0
* NHS Campus Closure (Department of Health)	(7,428)	(5,625)
* Basic Need Grant	0	(8,389)
* All Saints Grant	0	(6,726)
* Education Capital Maintenance Grant	0	(3,920)
* Growth Area Fund	0	(1,597)
* Other grants (no individual grants over £1m)	(5,313)	(6,010)
* Section 106	(17,785)	(18,870)
* Section 278	(2,371)	(1,580)
* Other contributions	(8)	(1)
Donated	0	0
<b>Total</b>	<b>(41,273)</b>	<b>(54,766)</b>
<u>Donated assets account:</u>	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### 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 2012 are shown in Note 38.

**Members:**

There are 59 members of the Council in total (66 as at 31/03/2011) who have direct control over the Council's financial and operating policies.

The total of members' allowances paid in 2011/12, are shown in Note 34.

A number of Councillors are school governors and are appointed Town and Parish Council members, these are not disclosed in the table below.

A list of Councillor relations with companies / organisations that have had material financial transactions in 2011/12 with the Council (generally over £1million, though less where material to the related party of the Council), is provided:

<b>Cllr</b>	<b>Organisation</b>	<b>Relationship</b>	<b>2011/12 Income to the Council</b>	<b>2011/12 Expenditure by the Council</b>
D. Bowater	South Essex Partnership Trust	Governor	(£0)	£3,133,432
R. Drinkwater	Aragon Housing Association	Member	(£0)	£2,089,811
R. Egan	South Beds Dial a Ride	Member	(£0)	£133,984

**Senior Officers:**

Senior Officers are defined as per Note 35.

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

**Other Public Bodies:**

The Council hosts 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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
<b>Opening capital financing requirement</b>	<b>211,473</b>	<b>200,516</b>
Capital investment:		
* Property, plant and equipment	38,873	39,360
* Investment properties	0	97
* Intangible assets	1,369	1,415
* Revenue funded from capital under statute	12,103	23,890
* Debt as a result of HRA self financing	0	164,995
Sources of finance:		
* Capital receipts	(29,826)	(3,780)
* Government grant and other contributions	(24,722)	(45,613)
Sums set aside from revenue:		
* Direct revenue contributions	(1,502)	(1,288)
* Minimum Revenue Provision / loans fund principal	(7,025)	(5,872)
Other movements	(227)	(2,778)
<b>Closing Capital Financing Requirement</b>	<b>200,516</b>	<b>370,942</b>
Explanation of movement in year:		
* Increase in underlying need to borrow (supported)	(2,530)	0
* Increase in underlying need to borrow (unsupported)	(9,549)	(5,431)
* Borrowing to support HRA self financing	0	(164,995)
* Assets acquired under finance leases	1,121	0
* Assets acquired under PFI contracts	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(10,958)</b>	<b>(170,426)</b>

The Council received approval to capitalise £1.992m of redundancy costs incurred in the 2011/12 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
- 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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment:		
* Fleet vehicles	37	17
* Multi-functional devices	1,121	897
<b>Total</b>	<b>1,158</b>	<b>914</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<u>Finance leases liabilities (net present value of minimum lease payments)</u>		
Current	(225)	(239)
Non-current	(741)	(502)
Finance costs payable in future years	(199)	(123)
<b>Minimum lease payments</b>	<b>(1,165)</b>	<b>(864)</b>

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

	<u>Minimum Lease Payments</u>	<u>Finance lease Liabilities</u>	<u>Minimum Lease Payments</u>	<u>Finance lease Liabilities</u>
	<u>2010/11</u>		<u>2011/12</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Not later than one year	(302)	(225)	(298)	(239)
Later than one year and not later than five years	(864)	(741)	(565)	(502)
Later than five years	0	0	0	0
<b>Total</b>	<b>(1,165)</b>	<b>(966)</b>	<b>(864)</b>	<b>(741)</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Not later than one year	366	295
Later than one year and not later than five years	1,133	776
Later than five years	998	504
<b>Total</b>	<b>2,497</b>	<b>1,575</b>

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

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Minimum lease payments	2,497	1,575
Contingent rents	0	0
Sub-lease payments receivable	0	0
<b>Total</b>	<b>2,497</b>	<b>1,575</b>

**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>2010/11</u>	<u>2011/12</u>
	£'000	£'000
Not later than one year	1,335	1,377
Later than one year and not later than five years	1,798	1,153
Later than five years	1,952	1,817
<b>Total</b>	<b>5,085</b>	<b>4,347</b>

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 £4.127m in 2011/12 (£3.963m 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>capital</u>		
		<u>expenditure</u>		
	£'000	£'000	£'000	£'000
Payable in 2012/13	1,874	596	1,578	4,048
Payable within 2 to 5 years	8,487	2,157	6,341	16,985
Payable within 6 to 10 years	11,889	3,274	8,037	23,200
Payable within 11 to 15 years	14,189	3,087	8,426	25,701
Payable within 16 to 20 years	15,641	4,127	8,818	28,586
Payable within 20 to 25 years	12,616	4,765	7,861	25,242
<b>Total</b>	<b>64,695</b>	<b>18,005</b>	<b>41,061</b>	<b>123,761</b>

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>2010/11</u>	<u>2011/12</u>
	£'000	£'000
Balance outstanding at start of year	19,716	18,453
Payments during the year	(1,263)	(448)
Capital expenditure incurred in the year	0	0
Other movements	0	0
<b>Balance outstanding at year end</b>	<b>18,453</b>	<b>18,005</b>

Note 43) Impairment Losses

During 2011/12, the Council had no recognised impairment losses. However, items shown elsewhere in the statements as impairment losses / gains all relate to losses / gains 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 2011/12 financial year.

Note 45) Termination Benefits

The Council terminated the contracts of 260 employees in 2011/12, incurring direct redundancy costs of £2.115m (140 and £1.5m in 2010/11). These have been incurred as part of the Council's drive to reduce operating costs.

Of those contracts terminated, four employees in 2011/12 incurred total costs of £5k (one employee 2010/11 £12k) where the individuals were given an "opportunity to seek alternative employment" via paid leave (not annual leave) where the individual was not required to work for the Council.

A full banded table of all termination benefits is outlined in note 35.

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 2011/12, the Council paid:

- £7.035m from the Council's payroll system (£9.1m 2010/11)
- £2.187m from Other payroll providers (£2.4m 2010/11).

to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.2% of pensionable pay (14.2% 2010/11). 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 Bedford 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<u>Cost of services:</u>	Re-stated	
* Current service costs	14,696	12,433
* Past service costs	(62,767)	145
* Settlements and curtailments	324	(4,570)
<u>Financing and Investment Income and expenditure:</u>		
* Interest cost	34,708	28,832
* Expected return on any re-imbursement right recognised as an asset	0	0
* Expected return on scheme assets	(23,446)	(20,991)
Total post-employment benefits charged to the (surplus) / deficit on the provision of services	(36,483)	15,849
<u>Other Post-employment benefits charged to Comprehensive Income and Expenditure Statement:</u>		
* Actuarial gains / (loss)	73,200	(55,218)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	36,717	(39,369)
<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	(36,483)	15,849
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>		
* Employers contributions payable to scheme	18,105	17,399
* 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 2012 is a loss of £146.8m (£91.6m loss to 31 March 2011).

Assets and Liabilities in Relation to Post-employment Benefits:

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

	<u>Funded &amp; Unfunded liabilities</u>	
	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Opening balance at 1st April	678,476	533,503
Current service costs	14,696	12,433
Interest cost	34,708	28,832
Contributions by scheme participants	5,113	4,582
Actuarial gains and losses	(119,401)	33,308
Benefits paid	(17,646)	(17,768)
Past service costs	(62,767)	145
Entity combinations	0	0
Curtailments	324	1,038
Settlements	0	(14,239)
<b>Closing balance at 31st March</b>	<b>533,503</b>	<b>581,834</b>

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

	<u>Funded</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Unfunded</u>
	<u>2010/11</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Opening balance at 1st April	655,899	22,577	515,338	18,167
<b>Closing balance at 31st March</b>	<b>515,338</b>	<b>18,167</b>	<b>562,795</b>	<b>19,039</b>
<b>Closing balance at 31st March Total</b>	<b>533,503</b>		<b>581,834</b>	

Reconciliation of fair value of the scheme assets:

	<u>2010/11</u>	<u>Funded &amp; Unfunded</u>
	<u>£'000</u>	<u>2011/12</u>
		<u>£'000</u>
Opening balance at 1st April	352,121	336,223
Expected rate of return	23,446	20,991
Actuarial gains and losses	(46,201)	(21,910)
Employer contributions	18,105	17,399
Contributions by scheme participants	5,113	4,582
Benefits paid	(16,361)	(16,438)
Curtailments	0	0
Settlements	0	(8,631)
<b>Closing balance at 31st March</b>	<b>336,223</b>	<b>332,216</b>

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 (£0.8m) 2011/12 (£26.9m 2010/11).

Scheme History:

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Present value of liabilities:</u>					
* Funded & Unfunded	0	0	(678,476)	(533,505)	(581,836)
Fair Value of assets in the					
Funded & Unfunded:	0	0	352,121	336,223	332,216
<u>Surplus/(deficit) in the scheme:</u>					
* Funded & Unfunded	0	0	(326,355)	(197,282)	(249,620)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>352,121</b>	<b>336,223</b>	<b>332,216</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of (£581.8m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of (£249.6m). 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 £14.4m (£17.2m 31 March 2011).

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 has 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 2012.

The principal assumptions used by the actuary have been:

	<u>2010/11</u>	<u>Funded &amp; Unfunded</u> <u>2011/12</u>
<u>Long term expected rate of return on assets in the scheme:</u>		
* Equity investments	7.5%	6.3%
* Bonds	4.9%	3.3%
* Property	5.5%	4.4%
* Cash	4.6%	3.5%
* Other	0.0%	0.0%
<u>Mortality assumptions:</u>		
Longevity at 65 for current pensioners:		
* Men	21.6	21.6
* Women	23.2	23.2
Longevity at 65 for future pensioners:		
* Men	23.6	23.6
* Women	25.6	25.6
Rate of Inflation	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	6.3%	4.9%
Rate of discounting scheme liabilities	5.5%	4.8%
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>2010/11</u> <u>%</u>	<u>2011/12</u> <u>%</u>
* Equity investments	54.0	49.0
* Bonds	23.0	24.0
* Property	9.0	9.0
* Cash	14.0	18.0
* Other	0	0
	<b>100%</b>	<b>100%</b>

History of Experience Gains and Losses:

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	<u>2007/08</u> <u>%</u>	<u>2008/09</u> <u>%</u>	<u>2009/10</u> <u>%</u>	<u>2010/11</u> <u>%</u>	<u>2011/12</u> <u>%</u>
Difference between the expected and actual return on assets	0	0	(16.90)	(1.04)	6.57
Experience gains and losses on liabilities	0	0	0.16	(10.09)	1.56

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).

#### Note 48) Contingent Liabilities

At 31 March 2012, the Council was aware of two insurance events that could lead to future legal claims these are in relation to one public liability personal injury and one

employers liability personal injury. 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 provisions are made under note 22 currently. As future legal action cannot be ruled out, these are classified as contingent liabilities. Prudent estimates of the possible financial effect cannot be provided in these instances.

At 31 March 2012, the Council was aware of four legal events that could lead to future legal claims, these are in relation to:

- 1 unpaid invoices issue
- 3 contracts issues.

Although no official claims have been logged with the courts, negotiations on these cases are ongoing. Expectations are that these will not result in a financial liability as such no provisions are made under note 22 currently. Prudent estimates of the possible financial effect cannot be provided in these instances.

Municipal Mutual Insurance (MMI) - This relates to a potential claw-back of funds by the MMI to cover claims relating to diseases, particularly those arising from asbestos exposure. The claw-back would only occur if MMI is unable to meet all the claims against it. On 28 March 2012 the Supreme Court ruled that insurance policies respond as at the date of causation or exposure, a ruling which was not in MMI's favour. It is uncertain whether any claw-back of funds will arise and a reliable estimate of the potential financial effect is not yet possible. However, the Council has considered it prudent to set aside an earmarked reserve of £1m, within the insurance earmarked reserve, for this purpose.

A legal challenge has been logged with the Courts by a domiciliary care contractor within adult and social care, claiming financial loss over the past three financial years. This challenge is disputed by the Council. Prudent estimates of the possible financial effect cannot be provided in these instances.

#### Note 49) Contingent Assets

At 31 March 2012, 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 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. (A minimum long term rating of A- or equivalent for UK counterparties: AA+ or equivalent for non-UK sovereigns) – this is lower than the A+ minimum adopted in 2011/12 and is in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

New specified investments will be made within the following limits:

<u>Instrument</u>	<u>Country/ Domicile</u>	<u>Counterparty</u>	<u>Maximum Counter-party Limits %/£m</u>
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts/Bill	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK*	Counterparties rated at least A- Long Term and F1 Short Term (or equivalent)	£15m
Term Deposits/Call Accounts	Non-UK*	Counterparties rated at least A- Long Term and F1 Short Term (or equivalent) in select countries with a Sovereign Rating of at least AA+	£5m
Gilts	UK	DMO	No limit
T-Bills	UK	DMO	No limit
Bonds issued by multilateral development banks		(For example, European Investment Bank/Council of Europe, Inter American Development Bank)	30%
CNAV -rated Money Market Funds	UK/Ireland /Luxembourg domiciled	CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value) These are currently AAA	40%
Other MMFs and CIS	UK/Ireland /Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	£10m

The credit criteria in respect of financial assets held by the Council are as detailed below: The countries and institutions that meet the criteria for term deposits, Certificates of Deposit (CDs) and call accounts are included below. Any institution can be suspended or removed should they give rise to concern.

<u>Instrument</u>	<u>Country/ Domicile</u>	<u>Counterparty</u>	<u>Maximum Counterparty Limit £m</u>
Term Deposits / CDs / Call Accounts	UK	Santander UK Plc (Banco Santander Group)	15
Term Deposits / CDs / Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	15

Term Deposits / CDs / Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)	15
Term Deposits / CDs / Call Accounts	UK	Barclays Bank Plc	15
Term Deposits / CDs / Call Accounts	UK	Clydesdale Bank (National Australia Bank)	15
Term Deposits / CDs / Call Accounts	UK	HSBC Bank Plc	15
Term Deposits / CDs / Call Accounts	UK	Nationwide Building Society	15
Term Deposits / CDs / Call Accounts	UK	NatWest Councils bank (RBS Group)	25
Term Deposits / CDs / Call Accounts	UK	Royal Bank of Scotland (RBS Group)	15
Term Deposits / CDs / Call Accounts	UK	Standard Chartered Bank	15
Term Deposits / CDs / Call Accounts	Australia	Australia and NZ Banking Group	5
Term Deposits / CDs / Call Accounts	Australia	Commonwealth Bank of Australia	5
Term Deposits / CDs / Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank)	5
Term Deposits / CDs / Call Accounts	Australia	Westpac Banking Corp	5
Term Deposits / CDs / Call Accounts	Canada	Bank of Montreal	5
Term Deposits / CDs / Call Accounts	Canada	Bank of Nova Scotia	5
Term Deposits / CDs / Call Accounts	Canada	Canadian Imperial Bank of Commerce	5
Term Deposits / CDs / Call Accounts	Canada	Royal Bank of Canada	5
Term Deposits / CDs / Call Accounts	Canada	Toronto-Dominion Bank	5
Term Deposits / CDs / Call Accounts	Finland	Nordea Bank Finland	5
Term Deposits / CDs / Call Accounts	Germany	Deutsche Bank AG	5
Term Deposits / CDs / Call Accounts	Netherlands	ING Bank NV	5
Term Deposits / CDs / Call Accounts	Netherlands	Rabobank	5
Term Deposits / CDs / Call Accounts	Netherlands	Bank Nederlandse Gemeenten	5
Term Deposits / CDs / Call Accounts	Sweden	Svenska Handelsbanken	5
Term Deposits / CDs / Call Accounts	Switzerland	Credit Suisse	5
Term Deposits / CDs / Call Accounts	US	JP Morgan	5

\*\*Please note this list could change if, for example, a counterparty / country is upgraded and meets our other creditworthiness tools. Alternatively, if counterparty is downgraded, this list may be shortened.

It remains the Council's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

Council's Banker - the Council banks with NatWest. On adoption of this Strategy, it will meet the minimum credit rating criteria of A- (or equivalent) long term. It is the

Councils intention that even if the credit rating of NatWest falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

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 non-recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 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 non-collection over the last two financial years, adjusted to reflect current market conditions:

<u>31/03/2012</u>	<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 uncollect- ability at 31st March £'000</u>	<u>Estimate max exposure as 31st March £'000</u>
	<u>A</u>	<u>B</u>	<u>C</u>	<u>(A*C)</u>	
Bonds	22,542	0.0%	0.00%	0	0
Customers	17,877	0.6%	0.75%	134	134
<b>Total</b>	<b>40,419</b>	-	-	<b>134</b>	<b>134</b>

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 customer balances is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<u>2010/11 £'000</u>	<u>2011/12 £'000</u>
Less than 3 months	10,154	13,239
Three to six months	645	1,522
Six months to one year	971	1,476
More than a year	693	1,640
<b>Total</b>	<b>12,463</b>	<b>17,877</b>

**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>2010/11</u>	<u>2011/12</u>
	£'000	£'000
Less than one year	646	5,038
Between one and two years	5,038	7,557
Between two and five years	33,376	32,432
Between five and ten years	6,612	44,995
Between ten and 25 years	34,649	154,649
More than 25 years	75,916	75,916
<b>Total</b>	<b>156,237</b>	<b>320,586</b>

All above figures are quoted at 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 Statement.

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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2011/12
	£'000
Increase in interest payable on variable rate borrowing	806
Increase in interest receivable on variable rate investments *	(470)
Increase in government grant receivable for financing costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>336</b>
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 Statement	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 Statement)	(36,678)

\* based upon investments and cash / cash equivalents  
 ((£12.5m+£24.7m+£9.8m)\*1%=£470k)

The impact of a 1% fall in interest rates would be the same movement as above but in reverse for variable rated borrowing. The movement for interest receivable would be half of the value above in reverse because as the base rate is 0.5% it couldn't fall below 0%.

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 2011/12 (actual cumulative unrealised losses for the Lime Fund, currently stand at 31/03/2012 at £312k).

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.

Note 51) Trust Funds

The Council acts a custodian trustee for three trust funds. As a custodian trustee the Council holds the property but takes no decisions on its use. The funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

Funds for which Council acts as custodian trustee:

<u>2011/12</u>	<u>Income</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Assets</u> <u>£'000</u>	<u>Liabilities</u> <u>£'000</u>
<u>LW Williams fund</u> Bursary / scholarship prize for the pupil with the best A Level results, confined to schools serving Dunstable and the outlying district (excluding Luton). Established in 1993. Low interest rates resulted in less than £1k earned in 2011/12 and a prize of less than £1k being awarded in September 2011. This has been rounded down and appears as zeros for the purpose of this note.	0	0	10	0
<u>Adult Social Care Customer fund</u> A social care client made CBC the appointee for £30k in December 2010 following the decision to withdraw this sum from the Allied Irish Bank. Low interest rates resulted in less than £1k being earned in interest during 2011/12. This has been rounded down and appears as zeros for the purpose of this note.	0	0	30	0
<u>LuDun fund</u> To provide employment, training, accommodation, facilities and services for people who by reason of mental or physical disability are unable to gain normal employment. This service ceased during 2011/12 and associated costs were borne whilst disposals contributed to recorded income. Interest of less than £1k was earned in 2011/12. This has been rounded down and appears as zeros for the purpose of this note.	(29)	17	133	(10)
<b>Total</b>	<b>(29)</b>	<b>17</b>	<b>173</b>	<b>(10)</b>

<u>2010/11</u>	<u>Income</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Assets</u> <u>£'000</u>	<u>Liabilities</u> <u>£'000</u>
<u>LW Williams fund</u> As above.	0	0	10	0
<u>Adult Social Care Customer fund</u> As above	0	0	30	0
<u>LuDun fund</u> As above	0	0	112	(1)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>152</b>	<b>(1)</b>

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

2010/11 £'000	Note	2011/12 £'000	2011/12 £'000
<b>Expenditure</b>			
4,887		4,224	
4,940		5,039	
152		158	
8,653	8	9,893	
44,603	7	(6,955)	
79		80	
25		123	
0		164,995	
63,340			177,557
<b>Income</b>			
(20,836)		(22,610)	
(491)		(210)	
(823)		(805)	
(875)		(845)	
(23,024)			(24,470)
<b>40,315</b>			<b>153,088</b>
<b>Net Cost of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement</b>			
105			90
			10
(4,278)			10
(4,173)			100
<b>36,142</b>			<b>153,187</b>
<b>Net Cost of HRA Services</b>			
<u>HRA share of Operating Income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement</u>			
(429)			(547)
(199)			(186)
768	10		519
140			(214)
<b>36,282</b>			<b>152,974</b>
<b>(Surplus) / Deficit for the Year on HRA services</b>			

**MOVEMENT ON THE HRA STATEMENT**

<u>2010/11</u> <u>£'000</u>	<u>Note</u>	<u>2011/12</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
4,224			3,742
(36,282)		(152,974)	
<u>Adjustments between accounting basis and funding basis under regulations</u>			
41,579		(10,016)	
(429)		(547)	
(3,830)		112	
(835)	4	(664)	
0		164,995	
<b>203</b>			<b>906</b>
<u>Transfers to / from reserves</u>			
(684)	3	(744)	
(684)			(744)
(482)			163
<b>3,742</b>			<b>3,905</b>

HRA Note 1) Housing Stock

<u>Property Type</u>	<u>Stock at 01/04/2011</u>	<u>Additions</u>	<u>Sales</u>	<u>Deleted / Demolished</u>	<u>Stock at 31/03/2012</u>
Low rise flats	1,296	0	0	(1)	1,295
Medium rise flats	505	1	0	0	506
High rise flats	0	0	0	0	0
Houses & Bungalows	3,404	1	(7)	0	3,398
<b>Total</b>	<b>5,205</b>	<b>2</b>	<b>(7)</b>	<b>(1)</b>	<b>5,199</b>

HRA Note 2) Balance Sheet Values of HRA Assets

<u>Operational Assets</u>	<u>Value at 01/04/2011</u>	<u>Value at 31/03/2012</u>
	<u>£'000</u>	<u>£'000</u>
	Restated	
Council dwellings	222,788	230,200
Other land & buildings- HRA	74,919	77,509
Other land & buildings- Non-HRA	0	0
Vehicles, plant, furniture and equipment	0	0
Infrastructure & community assets	0	0
Assets under construction	0	0
Surplus assets not held for sale	0	0
Investment properties	0	0
Assets held for sale	0	0
<b>Total</b>	<b>297,707</b>	<b>307,709</b>

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 2012 was £763m (31 March 2011 £642m). The vacant possession percentage used for 2011/12 was 39% (39% 2010/11).

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance @ 1 <sup>st</sup> April	(200)	(200)
Total Depreciation on all HRA assets	(3,024)	(3,061)
Depreciation less than the Major Repairs Allowance transferred to HRA	(684)	(744)
Expenditure in year	3,708	3,805
<b>Balance @ 31<sup>st</sup> March</b>	<b>(200)</b>	<b>(200)</b>

HRA Note 4) Capital Expenditure and Financing

The Council spent £4.766m on HRA capital projects in 2011/12 (£6.172m 2010/11). This spending was financed from the following sources:

<u>Source of Finance</u>	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Major repairs allowance	3,709	3,805
Capital Expenditure funded from revenue	835	664
Capital Receipts	1,628	297
Supported Borrowing	0	0
<b>Total</b>	<b>6,172</b>	<b>4,766</b>

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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Sale of Council houses	837	867
Right to buy discount repaid	28	6
Principal repayments on mortgage	32	12
Sale of land	12	68
<b>Total</b>	<b>909</b>	<b>953</b>

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 if the CFR is negative. In 2009/10, 2010/11 and 2011/12 the HRA CFR was negative so the latter method was used as follows:

	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
HRA investment income	(130)	(125)
Interest on cash balances & mortgages	(68)	(61)
Other interest received	0	0
<b>Total</b>	<b>(198)</b>	<b>(186)</b>

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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
	Restated	
<u>HRA assets- depreciation:</u>		
Council dwellings	2,239	2,266
Other land & buildings- HRA	785	795
Other land & buildings- Non-HRA	0	0
Vehicles, plant, furniture and equipment	0	0
Infrastructure & community assets	0	0
Assets under construction	0	0
Surplus assets not held for sale	0	0
Investment properties	0	0
Assets held for sale	0	0
<u>HRA assets – impairment:</u>		
Council dwellings	41,391	(7,037)
Other land & buildings- HRA	188	(2,978)
Other land & buildings- Non-HRA	0	0
Vehicles, plant, furniture and equipment	0	0
Infrastructure & community assets	0	0
Assets under construction	0	0
Surplus assets not held for sale	0	0
Investment properties	0	0
Assets held for sale	0	0
<b>Total</b>	<b>44,603</b>	<b>(6,955)</b>

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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Rent income	(20,735)	(22,122)
Interest receipts	(44)	(23)
Management and maintenance	8,417	8,447
Major repairs allowance (2009/10 included in line above)	3,709	3,805
<b>Total</b>	<b>(8,653)</b>	<b>(9,893)</b>

HRA Note 9) Rent Arrears

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Current tenant arrears	532	571
Former tenant arrears	250	315
Total	782	886
Bad debt provision	(328)	(395)
<b>Total</b>	<b>454</b>	<b>491</b>

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. 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Current service costs & unfunded (within expenditure)	914	735
Past service costs	(4,278)	10
Pension interest costs	2,366	1,908
Expected return on assets	(1,598)	(1,389)
<b>Net change to Income and expenditure account</b>	<b>(2,596)</b>	<b>1,263</b>
Statement of movement in the HRA balance:		
Reversal of net charges made for retirement benefits	1,362	(2,415)
<b>Employers contribution payable to the scheme (within expenditure)</b>	<b>(1,234)</b>	<b>(1,152)</b>

**THE COLLECTION FUND STATEMENT**

<u>2010/11</u> £'000	<u>Note</u>	<u>2011/12</u> £'000	<u>2011/12</u> £'000
<u>Income</u>			
139,472		141,654	
16,498		16,565	
(2)		(3)	
69,214	3	72,708	
<b>225,183</b>			<b>230,923</b>
<u>Expenditure</u>			
Precepts and Demands (in year)			
134,646	4	136,659	
13,783	4	13,992	
7,849	4	7,968	
<b>156,279</b>			<b>158,619</b>
Business Rates:			
68,889		72,388	
325		320	
<b>69,214</b>			<b>72,708</b>
Bad and doubtful debts:			
287		288	
(196)		322	
<b>91</b>			<b>610</b>
199	5		(661)
<b>225,783</b>			<b>231,276</b>
<b>(601)</b>	<b>Movement on Fund Balance</b>		<b>(353)</b>
<b>(913)</b>	<b>Surplus / (Deficit) Balance Bought Forward</b>		<b>(1,514)</b>
<b>(1,514)</b>	<b>Surplus / (Deficit) Balance Carried Forward</b>	5	<b>(1,866)</b>

<b><u>Movement in year:</u></b>			
(346)	Surplus/(deficit) generated in year (Central Bedfordshire Council)		(873)
(56)	Surplus/(deficit) generated in year (Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority)		(140)
<b>(402)</b>	<b>Total in Year Surplus/(Deficit)</b>		<b>(1,014)</b>
(171)	Distribution of prior year surplus / (deficit)- Central Bedfordshire Council	5	564
(28)	Distribution of prior year surplus / (deficit)- Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority	5	97
<b>(601)</b>	<b>Movement in year</b>		<b>(353)</b>



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 Non-Domestic 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 2011/12 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	9,321	6/9	6,214
B	22,092	7/9	17,183
C	30,947	8/9	27,508
D	20,014	9/9	20,014
E	14,002	11/9	17,114
F	7,390	13/9	10,674
G	4,397	15/9	7,328
H	330	18/9	660
-	<u>108,493</u>	-	<u>106,695</u>
Less: other adjustments (discounts / appeals etc)			9,561
			<u>97,134</u>
Less: adjustment for collection rate (0.5%)			486
Tax Base 2011/12			<u>96,649</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: 2011/12: £128,051,839 / 96,649 = £1,324.92p (2010/11: £126,143,895 / 95,206 = £1,324.96p).

CF Note 3) NNDR

The total non-domestic rateable value at 31 March 2012 was £201,602,370 as per the Valuation Office's schedule dated 31 March 2012 (£203,820,917 in 2010/11). The 2011/12 NNDR standard multiplier set for the year by the Government (via DCLG) was 43.3p (41.4p in 2010/11) and 42.6p for small businesses (40.7p in 2011/12). NNDR income was £72,708k (£69,214k 2010/11).

CF Note 4) Major Precepting Authorities

The major precepting authorities were:

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Central Bedfordshire Council	134,646	136,659
Bedfordshire Police Authority	13,783	13,992
Bedfordshire & Luton Combined Fire Authority	7,849	7,968
<b>Total</b>	<b>156,279</b>	<b>158,619</b>

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 2011/12, the balances calculated on this basis are as follows:

		<u>2010/11</u>	<u>2011/12</u>
		<u>£'000</u>	<u>£'000</u>
Balance 1 <sup>st</sup> April		(913)	(1,514)
Allocated in year:			
* Central Bedfordshire Council		(170)	564
* Bedfordshire Police Authority		(19)	62
* Bedfordshire & Luton Combined Fire Authority		(11)	35
Total Distributed		(199)	661
Prior years surplus to be distributed / (overpayment - deficit)		(1,112)	(853)
Surplus/(deficit) in year		(402)	(1,014)
<b>Balance 31<sup>st</sup> March</b>		<b>(1,514)</b>	<b>(1,866)</b>
<u>Allocated Between:</u>			
Bedfordshire Police Authority	2009/10 and prior	(85)	(85)
"	2010/11	(56)	(56)
"	2011/12	0	(43)
Bedfordshire & Luton Combined Fire Authority	2009/10 and prior	(49)	(49)
Bedfordshire & Luton Fire Combined Authority	2010/11	(32)	(32)
"	2011/12	0	(21)
Total recorded within debtors		(222)	(286)
Central Bedfordshire Council	2009/10 and prior	(779)	(779)
"	2010/11	(513)	(513)
"	2011/12	0	(288)
Total recorded within the Collection Fund Adjustment Account		(1,292)	(1,580)
<b>Balance 31<sup>st</sup> March</b>		<b>(1,514)</b>	<b>(1,866)</b>

**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 within the Corporate Services Directorate
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- The Audit Committee, under delegated authority from the Council, approves 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 2011/12 (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
- 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 31<sup>st</sup> March 2012 and its income and expenditure for the year ended 31<sup>st</sup> March 2012.

.....  
Charles Warboys  
Chief Finance Officer

Dated:.....

I confirm that the Statement of Accounts were approved by the Audit Committee of Central Bedfordshire Council at its meeting on XX<sup>th</sup> September 2012.

.....  
David Bowater  
Chair of the Audit Committee

Dated:.....

*This form cannot be signed until the audit of the SoA has completed.*

**ANNUAL GOVERNANCE STATEMENT**

**CENTRAL BEDFORDSHIRE COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2011/12**

**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, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including 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](http://www.centralbedfordshire.gov.uk).

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 how it has met 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 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.

**2.1 Central Bedfordshire Council's Vision**

The Council has committed itself to the vision for Central Bedfordshire that has been developed and adopted by Central Bedfordshire Together (the local strategic partnership) as part of the Sustainable Community 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.

The Council's Budget and Policy Framework contains specific plans, policies and strategies driving delivery of the Council's priorities and key work programmes.

The Council has adopted 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 Efficiencies** – 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.

The Council is in the process of developing a new Medium Term Plan, which is likely to be formally adopted by the Council in June 2012.

## 2.2 Service Quality

The Council has used regular performance reporting to ensure a sustained focus on those things that matter most to local people. We have a focussed and disciplined approach to producing, reviewing and acting on this critical performance information and it has resulted in success in both delivering short and medium term priorities and in the continuing improvement in 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 presented to the Executive with any specific issues addressed through Overview & Scrutiny. At an operational level, Directorate Management Teams receive reports on a regular basis setting out the key performance of the directorate, with associated commentary provided by the Assistant Directors.

### 2.3 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 and those powers which have been delegated to committees and officers. The powers of the Executive and those delegated to individual Executive Members 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). The Constitution is reviewed regularly.

The key policies of the Council are defined in the "Policy Framework" which forms part of 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 Policy Framework was last updated by the Council on 24 November 2011.

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 Council's Chief Finance Officer 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 makers when taking decisions. High level Codes of Financial and Procurement Governance set out the constraints within which officers may 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.

#### **2.4 Codes of conduct and standards of behaviour - Officers and Members**

Central Bedfordshire Council has adopted arrangements to promote high standards of ethical governance.

The Council has appointed a Standards Committee consisting of 15 Members, 5 of whom are Independent, 5 from Town and Parish Councils and 5 elected Members. The Council's Standards Committee meets regularly and is updated on National and Local issues.

The Council has adopted a Code of Conduct for Members as required by the Local Government Act 2000, together with a Code of Conduct for Officers, a Protocol for Members/Officer Relations, a Monitoring Officer Protocol and a Protocol of ICT at Home. These Codes and Protocols are included in the Council's Constitution.

Additionally, there is an Ethical Handbook which contains further codes relating to Gifts and Hospitality, Planning and Licensing Good Practice, Confidential Reporting (Whistleblowing) and guidance for Members on Property and Transactions and Commercial Property Management.

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 2011/12 the Council received a total of 16 complaints alleging breaches of the Code of Conduct. Of these, 5 concerned members of Central Bedfordshire Council and 11 related to members of Town and Parish Councils.

Ethical standards have been embedded within the Authority by way of comprehensive training and development to Members.

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.

The Localism Act received Royal Assent on 15 November 2011 and as a consequence the arrangements described above have been subject to review to reflect the changes that are contained in the Act. An Ethical Standards Task Force has been undertaking this review and it is proposed that the Council will adopt a new Code of Conduct at its Annual Meeting on 19 April 2012.

The Members' Code of Conduct was the subject of an internal audit during the year. The audit had three objectives: to check whether the Council's Code of conduct was compliant with the model Code issued in 2007; to assess whether Members were fully aware of the Code of Conduct and of their responsibilities; and to determine whether failures to comply with the Code are reported and properly dealt with. Following the audit a report was issued indicating that all these aspects were in place and that the Council's arrangements were fully compliant.

## **2.5 Decisions, processes and controls**

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 taker when making a decision, including the requirement to consult local councillors on matters that affect their wards. 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. 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 aides memoires

During August 2011, the responsibility for risk management transferred to Internal Audit. The Council's Risk Management Strategy and Policy



Statement were approved by the Audit Committee in April 2011 and the Strategic Risk register has been regularly reviewed and refreshed during the year. CMT endorsed the updated Risk Management Strategy and Policy Statement and have received regular risk reports during the year, which have also been presented to the Audit Committee.

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.

## **2.6 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.

## **2.7 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.

## **3.8 Whistle-blowing and complaints**

The Council introduced a whistle blowing policy known as the Confidential Reporting Code in the Ethical Handbook section of the Constitution. This has

been regularly reviewed and updated to reflect changes to roles and responsibilities, most recently by the Audit Committee in January 2012

An Anti Fraud and Corruption Strategy was also approved and is included in the Ethical Handbook of the Constitution. This was also approved by the Audit Committee in January 2012 to reflect the introduction of the Bribery Act 2010 and changes to reporting channels within the Council.

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.

## **2.9 Development and training for Officers and Members**

A number of Leadership and Management Qualities have been developed and agreed by the Senior Management Group (SMG) which comprises of the top 3 tiers. SMG will undergo a 360 degree assessment to identify development needs and support a future Leadership and Management Development Programme. One outcome of this project will be a more robust Performance Development Framework for Senior Managers.

Various Training and Development Programmes offer a wide range of activities linked to the Corporate Vision, Values and Priorities. These are designed to support individuals and the organisation in meeting their objectives and statutory requirements in the context of the changing environment of local government.

Member induction took place in 2011 after the local elections. The Member Development Programme has been developed to support new and returning Members. It has been ratified by the Member Development Champion and Corporate Management Team. Members will undergo a 360 degree assessment process in Spring 2012 to identify their future development needs and inform the ongoing programme.

## 2.10 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, on line or face to face.

The 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 on line.

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, on line and written media. These include regular staff briefings, a weekly electronic bulletin, a monthly management team cascade, blogs and updated news on the intranet.

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

A weekly bulletin is sent to all members to provide information about forthcoming events, meetings and to ensure that they are made aware of any significant issues.

### **2.11 Equality and Diversity**

Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations. The 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 and which experiences fairness and equity of treatment.

As strategies, policies and services are developed, the Council conducts Equality Impact Assessments 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.

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 re-assignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex 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 <sup>11</sup>functions.
- 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.

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.

## 2.12 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 prescribes 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.

## 3.0 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 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 Chief Finance Officer 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 Internal Audit and Risk who reports to the Chief Finance Officer 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's performance is monitored on a quarterly basis 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 rates of pay and terms and conditions of employees.

An Information Assurance and Security Group is in place and is chaired by the Senior Information Risk Owner (SIRO) to improve and promote information governance.


#### **4.0 SIGNIFICANT GOVERNANCE ISSUES**

In previous Annual Governance Statements certain significant governance issues have been identified, together with the measures that the Council intends to take to manage the risks associated with these issues. Such issues are identified in the Council's Corporate Risk Register, which also identifies the mitigating action to be taken. The Risk Register is monitored regularly by CMT.


#### **5.0 CONCLUSION**

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2011/12.

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



J JAMIESON  
LEADER OF THE COUNCIL



R CARR  
CHIEF EXECUTIVE

Dated 31/05/2012

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



**GLOSSARY**

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

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local Council accounts. The end of the accounting period is the balance sheet date.
<b>Accounting Statements</b>	The Council's Core Financial Statements and Supplementary Financial Statements.
<b>Accrual</b>	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
<b>Appointed Auditors</b>	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.
<b>Approved Institutions</b>	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.
<b>Asset</b>	An item having value measureable 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.
<b>Audit of Accounts</b>	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
<b>Balance Sheet</b>	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
<b>Budget</b>	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
<b>BVACOP</b>	Best Value Accounting Code of Practice. The system of local Council 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.
<b>Billing Authority</b>	A local authority charged by statute with responsibility for the collection of and accounting for Council Tax and non-domestic rates (NNDR: business rates). These in the main are district councils, and unitary authorities e.g. London boroughs.
<b>Budget</b>	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.
<b>Capital Expenditure</b>	Expenditure to acquire or enhance fixed assets that will be used in providing services for more than one year.
<b>Capital Financing</b>	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.

<b>Capital Programme</b>	The capital schemes the Council intends to carry out over a specified time period.
<b>Capital Receipt</b>	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.
<b>Cashflow Statement</b>	A statement that summarises the inflows and outflows of cash within the Council's accounts.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
<b>Collection Fund</b>	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.
<b>Community Assets</b>	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.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>Contingent Liability / Asset</b>	<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>
<b>Core Financial Statements</b>	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.
<b>Council Tax</b>	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.
<b>Creditor</b>	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.
<b>Debtor</b>	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.

<b>Depreciation</b>	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.
<b>Estimates</b>	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.
<b>Estimate (budgets)</b>	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.
<b>Events After Balance Sheet Date</b>	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.
<b>Exceptional Items</b>	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.
<b>Extraordinary Items</b>	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.
<b>Finance Lease</b>	A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
<b>Financial Reporting Standard (FRS)</b>	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.
<b>Financial Year</b>	Period of time to which the Statement of Accounts relates. The financial year for Local Authorities runs from 1 April to 31 March.
<b>Fixed Assets</b>	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
<b>Government Grants</b>	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.
<b>Gross Expenditure</b>	The total cost of providing the Council's services before taking into account income from fees and charges and government grants.
<b>Housing Benefits</b>	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.
<b>Housing Revenue Account</b>	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.

<b>Impairment</b>	This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value.
<b>Income</b>	This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and investment interest.
<b>Income and Expenditure Account</b>	An account which summarises resources generated and consumed in the provision of services for which the Council is responsible.
<b>Infrastructure Assets</b>	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.
<b>Intangible Assets</b>	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.
<b>International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)</b>	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.
<b>Liability</b>	A liability arises when the Council owes money to others and it must be included in financial statements.
<b>Long Term Investments</b>	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.
<b>Materiality</b>	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.
<b>Minimum Revenue Provision</b>	The minimum amount which must be charged to the revenue account each year for the repayment of borrowing.
<b>National Non-Domestic Rate (NDR)</b>	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.
<b>Non-Operational Assets</b>	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.
<b>Operating Lease</b>	A lease whereby the ownership of the fixed asset remains with the lessor.
<b>Operational Assets</b>	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.
<b>Post Balance Sheet Event</b>	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.

<b>Precept</b>	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.
<b>Prior Period Adjustments</b>	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.
<b>Provision</b>	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.
<b>Prudence</b>	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.
<b>Prudential Code</b>	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.
<b>Rateable Value</b>	The annual assumed rental value of a property that is used for business purposes.
<b>Related Parties</b>	Two or more parties are related parties when at any time during the financial period:- <ul style="list-style-type: none"> <li>• One party has direct or indirect control of the other party</li> <li>• The parties are subject to common control from the same source</li> <li>• 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</li> <li>• 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</li> </ul>
<b>Related Party Transactions</b>	The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.
<b>Reserves</b>	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.
<b>Residual Value</b>	This is the net realisable value of an asset at the end of its useful life.
<b>Revaluation Reserve</b>	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.
<b>Revenue Expenditure</b>	The day to day expenses associate with the provision of services.
<b>Revenue Expenditure funded from Capital under Statute (formerly Deferred Charges)</b>	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.

<b>Revenue Support Grant</b>	A grant paid by the Government to councils, contributing towards the costs of their services.
<b>Statement of the Movement on the General Fund / Housing Revenue Account Balance</b>	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.
<b>Stocks and Work in Progress</b>	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.
<b>Supplementary Financial Statements</b>	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
<b>Temporary Investment</b>	Money invested for a period of less than one year.
<b>Trust Funds</b>	Funds administered by the Council for such purposes as prizes, charities and specific projects usually as a result of individual legacies and donations.
<b>UK GAAP</b>	Accounting practices regarded as permissible the UK accounting profession that are grouped together under the term 'generally accepted accounting principles'.
<b>Useful Life</b>	This is the period over which an organisation will derive benefits from the use of a fixed asset.
<b>Work in Progress</b>	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**

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# Pre statements memorandum

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Central Bedfordshire Council

Audit 2011/12

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

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

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

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# Introduction

## Introduction

- 1 Our audit is carried out in accordance with the Code of Practice for Local Authorities and the National Health Service in England and Wales. Our work is designed to give an opinion on your financial statements as to whether they present fairly the position of the Council as at 31 March 2012 and its income and expenditure for the year.
- 2 This report details our findings of our pre-statements work which covers our work on:
  - the documentation, walk through and controls testing of key financial systems;
  - the VFM conclusion; and
  - Section 106 agreements.
- 3 Appendix 2 is an Action Plan of recommendations to further improve the processes.

## Main conclusions

### Financial systems

- 4 We have documented the Council's material financial systems and identified the controls you have in place to detect material errors or misstatements. We have carried out walk-through tests to confirm the operation of the controls that have been identified.
- 5 In doing this work we have placed reliance on the work of Internal Audit (IA) in particular their work on the managed audits. IA plan their work on the Council's material systems to assist us. Based on their phase 1 work the only limited assurance opinion that IA have issued is on the Payroll system. The opinions on the Main Accounting and Housing Benefit systems both improved from limited to adequate assurance this year. Having completed our work on these systems we are in agreement with these findings.
- 6 Having evaluated the controls in place in the Payroll system and the findings from IA work a substantive approach to testing payroll expenditure will be adopted again this year. We will also carry out substantive testing on the SWIFT system, as we did last year, as we consider this to be the most efficient way of obtaining assurance. At the time of our interim audit the IA phase 1 work on the SWIFT system had not been completed. We have recently received the files and we are in the process of re-performing the walk through.

7 There have been a number of changes in key staff in the Finance department during 2011/12 and there are a number of new and interim officers in place. The Assistant Director Resources left the Council in December 2011. A new section 151 officer has been in place since July 2011 and currently the Head of Financial Control and Financial Controller are both interim appointments. A permanent Financial Controller has recently taken up his post and a new capital accountant will start in May.

8 IA have reported that the recent departure of senior Finance staff had 'impacted significantly' on the reporting lines and supervision of the Main Accounting function and that until a more permanent and stable management structure is in place there remains an inherent risk within the system relating to capacity, experience and expertise.

9 While recognising that the staff changes do pose an audit risk we are satisfied with the cover arrangements that have been put in place. As in previous years we are working closely with your officers to help ensure a smooth and timely close down for the 2011/12 accounts and will continue to monitor the arrangements in place.

#### **Value for money (VFM) conclusion**

10 We are required to give a value for money (VFM) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. A key element of my conclusion this year will be the way in which the Authority has approached the issue of Housing Revenue Account self financing.

11 The Council has to decide how to account for the new debt and in particular how to allocate future borrowing costs between the General Fund (GF) and Housing Revenue Account (HRA). Initially it was decided to account for all of the Council's debt using one loans pool. Our review of the calculation to support this decision found that the charge to the HRA had been significantly understated. This would result in a major rather than incidental cost shift between the GF and the HRA and runs contrary to the equity principle set out by DCLG.

12 These issues were discussed with officers and having reconsidered the calculations and the impact on both the HRA and GF, officers have decided that a two pool approach will now be adopted to account for the loan debt in 2012/13.

13 Our provisional conclusion, based on work completed to April 2011, is that the Council has proper arrangements to secure value for money. We will revisit this conclusion once the final outturn position for 2011/12 is known.

## Section 106

14 We have also been reviewing the arrangements in place for recording and monitoring Section 106 receipts and expenditure. Following questions raised by a member of the public we have reviewed the Authority's arrangements for recording and monitoring Section 106 receipts and ensuring that section 106 monies received are used in accordance with the terms of the relevant agreements. We have relied on Internal Audit's findings where possible. We have made a number of recommendations to improve the arrangements for recording and monitoring Section 106 receipts and expenditure.

## Detailed report

### Financial systems

#### Audit Approach

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

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

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

**18** We have carried out controls testing on the main accounting system and we will continue to place reliance on controls testing carried out in previous years on the following systems.

- Accounts Payable.
- Accounts Receivable.
- Fully Funded schools.

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

**20** Our IT risk assessment concluded that overall the IT environment at the Council is low risk. The most significant finding was that a disaster recovery test has not been carried out for the SAP system. There has not been a Disaster Recovery Plan in place since the Council was established in 2009/10. It is a long standing IA recommendation that a plan should be in place and tested. The IA report on tracking the progress of IA recommendations, in April 2012, noted that the target date for the completion of a Disaster Recovery Plan had slipped from December 2012 to December 2011 and is now September 2012.

**21** It is important that a Disaster Recovery Plan is in place and tested to address the risk of loss of data in the event of the failure of IT systems at the Council.

## Recommendation

**R1** Ensure that the IA recommendation to approve and test a Disaster Recovery Plan is implemented by September 2012.

### Main accounting system

**22** IA issued an adequate assurance opinion on the main accounting system, based on their phase 1 work, the report was issued in October 2011. This is an improvement from the limited assurance opinion issues last year. In arriving at this conclusion IA noted that the recent departure of senior Finance staff had 'impacted significantly' on the reporting lines and supervision of the Main Accounting function and that until a more permanent and stable management structure is in place there remains an inherent risk within the system relating to capacity, experience and expertise.

**23** While recognising that the staff changes do pose an audit risk we are satisfied with the cover arrangements that have been put in place. As in previous years we are working closely with your officers to help ensure a smooth and timely close down for the 2011/12 accounts and will continue to monitor the capacity within the Finance department.

**24** IA identified a number of weaknesses in their report. We will only include in this memorandum weaknesses in the controls that we consider to be key controls as these will impact on our testing strategy.

**25** The Control and Suspense accounts log had not been updated since March 2011. It is understood that the monitoring of these reconciliations now takes place on a quarterly basis. Monthly monitoring was carried out last year given the backlog that had occurred at the start of 2010/11 following the problems preparing and auditing the 2009/10 accounts.

**26** The new record is a listing of the control and suspense accounts recording the balances and responsible officers. Balances that have not been reconciled are recorded in red. It is not possible from this document to see when any 'red' balances were last reconciled. The most recent listing shows that all balances have been reconciled as at December 2011 with the exception of a number of payroll accounts, the largest being '2120000 Payroll Related Reconciliation Accounts' £6,391,696.

**27** We will be reviewing year-end cash and bank reconciliations and the clearance of suspense and control accounts as part of our audit work on the statements of account. However, the Council should consider re introducing the control log, at least on a quarterly basis so that it is clear when accounts were last reconciled.



**28** The walk through of the system covered the Payment account and Income account reconciliations for June 2011. While these reconciliations were completed and reviewed appropriately the quarterly bank reconciliations, of which these formed a part, had not been reviewed and authorised by the Chief Finance Officer as required by the Council's policies and procedures. It was noted that due to the recent restructure, the Chief Finance Officer has agreed that the independent check of the reconciliation should be undertaken by the Head of Financial Control and that the procedure will be reviewed to reflect this.

**29** We have completed controls testing on journals for the period April 2011 to October 2011. We have been able to place reliance on IA testing for this period. IA phase 2 work will test journals for the period to 31 March 2012. We will again seek to place reliance on this work to provide assurance for the whole of the financial year. All journals were appropriately authorised, agreed to backing documentation and confirmed correct.

**30** Finance Managers for each directorate keep a log of the journals raised monthly. IA testing of 12 of these logs found that apart from Children Services, the journal logs were not signed off by the relevant Finance Manager or Head of Service. These logs are in place to confirm that the journals have been checked for compliance with the Council's financial procedures and that they have been correctly authorised as per the journal authorisation schedule. Following the IA report it has been agreed that this control will be in place by March 2012.

## Recommendations

- R2** Ensure that all payroll control accounts are completed and reviewed on a timely basis.
- 
- R3** Consider reintroducing the control and suspense account log used in 2010/11 to strengthen the monitoring of the timeliness of reconciliations and make it easier to review of the reported position.
- 
- R4** Ensure that all finance procedure notes are updated to reflect the changes in the structure of the Finance department.
- 
- R5** Ensure that IA's recommendation that journal logs to be signed off by the relevant Finance Manager or Head of Service is implemented.
-

## Payroll

**31** IA have issued a limited opinion on the Payroll system based on their phase 1 work. IA found that some key controls had not been operating effectively in the payroll system for the whole of the financial year.

**32** Having evaluated the controls in place and the findings from IA work we have concluded that there is a high risk of failures in controls testing. Therefore in order to gain sufficient assurance over the payroll expenditure in the accounts we will again adopt a substantive testing approach again this year. We will carry out this work in June 2011.

**33** The payroll service has been provided by SERCO Payroll Services since the establishment of Central Bedfordshire in April 2009. The function will come in house from April 2012.

### Recommendation

**R6** Ensure that the weaknesses in payroll controls identified by IA are addressed to ensure that adequate controls are in place for 2012/13.

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## Accounts payable (AP)

**34** IA issued an adequate opinion on the AP system based on their phase 1 work. We were able to place reliance on the work carried out by IA on the main AP system, confirmed through our re-performance of the walk through.

**35** Controls assurance for the main AP system was gained in 2009/10. We are able to carry forward this assurance to 2010/11 as our walk through has confirmed that the key controls tested last year were operating effectively in 2011/12.

**36** Within the AP system there are separate processes and controls in place for the following areas, all of which lead to material expenditure in the accounts.

- Carlisle - payments to contractors/temporary staff.
- Amey - payments to the Council's highways maintenance contractors.
- Waste disposal.
- BUPA - payments in respect of care homes.

**37** Controls assurance for these sub systems was gained in 2010/11. Our walk throughs this year have confirmed that the controls tested last year are still operating effectively and we are able to carry forward this assurance to 2011/12.

## Accounts receivable (AR)

**38** IA issued an adequate opinion on the AR system based on their Phase 1 work. We were able to place reliance on the work carried out by IA on the on the AR system, confirmed through our re-performance of the walk through.

**39** The walk through identified weaknesses in the operation of some key controls as follows.

- The Central Master Data Team do not hold a listing of approved authorisers for the SAP Customer Master Maintenance form. When a new customer is set up in SAP a sales clerk completes SAP customer maintenance form which is then approved by an authorised officer. The absence of a list of authorised officers therefore weakens this control.
- IA found that there was a lack of clarity and consistency in the information available to staff in respect of the appropriate limits for the release of credit notes. The information available re the Financial Scheme of Management on the internet was out of date. The recommendation made by IA to update the Financial Scheme of Management has been agreed with a target implementation date of March 2012.

**40** Having evaluated the controls in place and the findings from IA work we have concluded that there are other controls operating which compensate for the weaknesses noted above. We will therefore carry forward the assurance gained from the testing carried out in 2010/11.

**41** We will review year-end reconciliations as part of our audit of the financial statements.

## Recommendations

**R7** Ensure that the Central Master Data Team hold a listing of approved authorisers for the SAP Customer Master Maintenance form.

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**R8** Ensure that the recommendation made by IA to update the Financial Scheme of Management has been implemented.

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## SWIFT

**42** At the time of our interim audit the IA phase 1 work on the SWIFT system had not been completed. We have recently received the files and we are in the process of re-performing the walk through.

**43** We will carry out substantive testing on the SWIFT system as we did last year, as we consider it to be the most efficient way of obtaining assurance.

## Recommendation

**R9** Ensure that payment schedules sent to providers are returned to BSU and any amendments made to SWIFT as appropriate.

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### **Housing Benefit**

**44** IA issued an adequate assurance opinion on the Housing Benefit (HB) system based on their phase 1 work. This is an improvement from last year's limited assurance opinion. Our re performance of the walk through confirmed that the system was operating as documented and that the controls that we consider to be key controls were operating.

**45** We have not carried out controls testing as this is the final year of the audit engagement and therefore we would not be able to carry forward any assurance to next years audit. As in previous years we will carry out a substantive analytical review and test year-end reconciliations to gain adequate assurance over the figures included in the statements of account.

### **Housing rents**

**46** We have walked through the Housing rents system, placing reliance on the work carried out by IA. IA issued an adequate opinion on the Housing Rents system based on their phase 1 work. Having evaluated the controls in place and the findings from IA work we have concluded that any weaknesses identified by IA are not likely to lead to a material misstatement.

**47** We have not carried out controls testing and will be carrying out a substantive analytical review at year-end to gain adequate assurance over the figures included in the statements of account.

### **Council Tax**

**48** We have walked through the Council Tax system, placing reliance on the work carried out by IA. IA issued an adequate opinion on the Council Tax system based on their phase 1 work. Having evaluated the controls in place and the findings from IA work we have concluded that any weaknesses identified by IA are not likely to lead to a material misstatement.

**49** We have not carried out controls testing as it is more efficient to carry out a substantive analytical review at year-end to gain adequate assurance over the figures included in the statements of account.

### **NNDR**

**50** We have walked through the NNDR system, placing reliance on the work carried out by IA. IA issued an adequate opinion on the NNDR system based on their Phase 1 work. Having evaluated the controls in place and the findings from IA work we have concluded that any weaknesses identified by IA are not likely to lead to a material misstatement.

**51** We have not carried out controls testing as it is more efficient to carry out a substantive analytical review at year-end to gain adequate assurance over the figures included in the statements of account.

### **Asset management**

**52** We have documented and walked through the Asset Management system. Having evaluated the controls in place we have not identified any risks that are likely to lead to a material misstatement

**53** We have not carried out controls testing as it is more efficient to carry out a substantive testing at the year-end.

### **Treasury management**

**54** We have walked through the Treasury Management system, placing reliance on the work carried out by IA. IA issued an adequate opinion on the Treasury Management system based on their phase 1 work. Having evaluated the controls in place and the findings from IA work we have concluded that any weaknesses identified by IA are not likely to lead to a material misstatement

**55** We have not carried out controls testing as it is more efficient to carry out a substantive testing at the year-end.

### **Fully funded schools**

**56** Fully funded schools are allocated budgets by the Council and submit monthly/ quarterly returns to the schools team, so they can journal these amounts into SAP. We have documented and walked through the system. The controls identified during the walkthrough were evaluated for each of the relevant assertions.

**57** Controls assurance for the payments made through this system was gained in 2010/11. Our walk through this year has confirmed that we are able to carry forward this assurance to 2011/12.

### **Value for money conclusion**

**58** The District Auditor is required to give a value for money (VFM) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. This is based on two criteria, specified by the Commission, related to your arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

## **Audit approach**

**59** We carried out a risk assessment on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in 2011/12. For each of the two indicators; financial resilience and securing economy, efficiency and effectiveness, we assessed the arrangements in place to mitigate risks which may prevent the Council from achieving the requirements of the two indicators.

**60** We based our risk assessment on the evidence collected last year and updated for our current knowledge of the audit. We did this to identify areas where we required further evidence to enable us to conclude whether the arrangements the Council has in place are adequate.

**61** The findings from our work this year on the two indicators; financial resilience and securing economy, efficiency and effectiveness are set out in appendix 1.

## **HRA self financing**

**62** A key element of our conclusion this year will be the way in which the Council has approached the issue of Housing Revenue Account (HRA) self financing. The debt liability transfer for Central Bedfordshire is £165.7million and the transfer took place on 1 April 2012. The additional debt taken will roughly double the Council's existing portfolio, which is entirely General Fund (GF) debt.

**63** The Council set up a Treasury Management group, on an informal basis, to examine the options in respect of self financing and the debt assigned to the Council. The group included the Leader, Deputy Leader, Executive Member and Deputy for Social Care Health and Housing. This group considered the options for the loan portfolio and the approach to debt management.

**64** The decision was taken to adopt a mixed loan portfolio with approximately £50 million borrowed on a ten-year variable rate basis and remainder spread between 10 and 20 year fixed rate debt. The Council's view is that with variable rate debt at an historic low, and likely to continue so in short to medium term, this will reduce interest payments in the early years of the Housing Revenue Account (HRA) Business Plan enabling Council to invest in longer term projects such as extra care housing.

**65** The Executive in February 2012 considered the risks and changes associated with HRA self financing and their impact on the Council's HRA Business Plan, medium-term financial planning, and Treasury Management strategy for 2011/12. The Council has revised its prudential indicators for 2011/12, to allow for the additional borrowing required.

**66** The Council has to decide how to account for the new debt and in particular how to allocate future borrowing costs between the GF and HRA. The Treasury Management Report to the Executive on 10 January 2012 proposed that the GF and HRA debt would be managed as a single pool of debt. This was based on the assertion that 'In the medium term (10 to 15 years), there is potentially an adverse impact to the HRA of £ 700k per annum'. Our review of the calculation to support this figure found that the charge to the HRA had been calculated incorrectly and as a result of this error the impact on the HRA had been significantly understated. This would result in a major rather than incidental cost shift between the General Fund and the HRA and runs contrary to the equity principle set out by DCLG. Local authorities are required to deliver a solution that is broadly equitable between the HRA and GF.

**67** These issues were discussed with officers and having reconsidered the calculations and the impact on both the HRA and GF, officers have decided that a two pool approach will now be adopted to account for the loan debt in 2012/13.

**68** We cannot conclude our work on the value for money conclusion until the outturn for 2011/12 is available and we are able to assess how successful the Council has been in meeting the 2011/12 budget. We have summarised the findings of our work to date in the section below.

## **Section 106**

**69** Following questions raised by a member of the public in 2010/11 we have reviewed the Authority's arrangements for recording and monitoring Section 106 receipts. We have relied on recent IA work where possible. IA issued a limited assurance report on Monitoring Section 106 Agreements in January 2012.

### **Monies spent in accordance with agreements**

**70** Our work has confirmed that there are adequate arrangements in place to ensure that Section 106 monies are spent in accordance with the relevant agreements. IA tested a sample of 20 items of expenditure incurred in 2010/11 and 2011/12 and concluded that the Section 106 agreements were in place. We selected four of these projects and were able to confirm that the expenditure had been incurred in accordance with the relevant Section 106 agreement.

### **Monitoring and reporting**

**71** IA found a difference of some £980,334 between the expected balance of unspent section 106 contributions on Acolaid and SAP. Following exercise by officers in Finance the difference is now £79,551, less than 1 per cent of the balance. IA recommended that Acolaid and SAP should be reconciled on a regular basis.

**72** IA found inconsistencies in project descriptions between planning and finance records. Inconsistencies can lead to errors and mis-postings thereby affecting the accuracy of financial information.

**73** The final recommendation made by IA was that the Council should adopt a consistent approach to the number and type of documents maintained on the Council's website. The reputation of the Council could be negatively affected if members of the public cannot find information purportedly published on its website.

**74** In addition to the IA findings noted above we have concluded that the arrangements for monitoring and reporting Section 106 expenditure could be improved by:

**75** Enhancing the IT capabilities of Acolaid. The Acolaid system can not run a report to add up all of the individual projects. This would assist the reconciliation process and make the on line reporting documents clearer for users to understand.

**76** Improving the accuracy of the reporting of Section 106 expenditure on the Council's website. A review of the Council's website pages noted that the reports published do not include all known Section 106 agreements and do not always add up.

**77** Keeping a record to ensure that Section 106 balances will be spent within the required time frame of the relevant agreements. The Council holds significant Section 106 balances, £17.8 million at 31 March 2011. A number of the balances relate to old agreements some dating back to 2004. It is not unusual for agreements to have a clause that will stipulate that monies not spent in the time period should be returned to the relevant party. For three of the four agreements that we tested the remaining Section 106 balances will have to be used in 2012/13 to comply with the terms of the agreement ie they may have to be returned if not used.

**78** One of the issues raised with the District Auditor by the local elector was that the Council had incurred expenditure on a road that had not been adopted by the Council. At the time of writing this report the Council has been unable to provide evidence that the road has been adopted.



## Recommendations

**R10** As recommended by IA:

- carry out regular reconciliations between the Acolaid system and SAP;
- ensure project descriptions are consistent and accurate; and
- adopt a consistent approach to the number and type of documents maintained on the Council's website.

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**R11** Enhance the IT capabilities of the Acolaid system to enable it to sum the individual schemes recorded.

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**R12** Improve the accuracy of the reporting of Section 106 expenditure on the Council's website.

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**R13** Keep a record to ensure that Section 106 balances held will be spent within the required time frame of the relevant agreements.

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## Appendix 1 Value for money criteria key messages

Criterion	Key message
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p>	<p>The leadership team understands the significant and financial management challenges and risks facing the organisation and is taking appropriate action to secure a stable financial position.</p> <p>The Council considered the risks and impact of the proposed spending cuts by the coalition government in setting the 2011/12 budget. Key cost drivers and pressures were identified in the budget of 2011/12. The Council Management Team (CMT), Executive and Overview and Scrutiny committees scrutinized the proposals in the draft before they agreed the final budget was agreed. CMT, the executive and Overview and scrutiny Committees continue to review the quarterly budget monitoring reports. They discuss items in the budget which are not on track and consider options to address any potential overspends.</p> <p>The Audit Committee continues to provide effective financial management by challenging on financial matters.</p> <p>The Council has considered the risk introduced by the new Self financing HRA scheme in its Treasury Management Strategy for 2012/13. It revised its prudential indicators for 2011/12 because of the one off reallocation of debt figure of £165 million by the government. As result, the Council revised its authorised limit and operational boundary for 2011/12.</p>
<p>2. Securing economy efficiency and effectiveness.</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p>	<p>The Council has a track record of achieving savings. The Council was successful in achieving the £12 million of efficiency savings included in the 2010/11 budget.</p> <p>The 2011/12 budget includes savings of £14.651 million. The report to the Executive on 14 February 2012 shows that while the budget is still on track, the savings have not been delivered in the way expected, but instead through one off compensatory savings A total net value of £1.5 million has been removed and added as pressures to the 2012/13 annual budget.</p> <p>In the same report to the Executive on 14 February 2012, the Council identified efficiencies of £11.3 million to achieve a balanced budget in 2012/13 and a further £26.3 million over the next three years. As the Council have noted it is important that savings are sustainable in the future years.</p> <p>The Council has considered the significant social and economic drivers for change in the 2012/13 budget and the MTFP.</p>

Criterion	Key message
	<p>The key drivers identified for change in the draft budget for 2012/13 reported to the Executive on 6 December 2011 were:</p> <ul style="list-style-type: none"> <li>■ 30 per cent increase in population over 75 years old;</li> <li>■ 65 per cent increase in child protection cases between 2009 and 2011;</li> <li>■ school moving to academy status and out of control of Local Authorities; and</li> <li>■ the transfer of Public Health responsibilities to local government in 2013.</li> </ul> <p>The budget and the MTFP reflect the Council's strategic objectives and address the Council's priorities in the next four years.</p> <p>The Council engaged proactively with a wide range of individuals, organisations and stakeholders on the 2011/12 budget. In setting the 2012/13 budget and MTFP, there has again been extensive consultation with the public to capture stakeholder views on savings and spending priorities. For instance; In the feedback for the consultation with stakeholders for the setting of the 2012/13 budget, some stakeholders expressed concern about the proposals for changing the support for informal carers and bringing respite care charges. As a result of the concerns raised, the Council has decided that, the relevant service areas will conduct bespoke consultation with service users and other interested parties as part of the development of the new policies. The Executive will review this proposal later in the year.</p> <p>There was rigorous monitoring of the Council's budget throughout 2011/12 in order to achieve the required level of savings by the efficiency implementation group (EIG). The EIG continues to meet monthly to review the progress being made to achieve savings.</p>

## Appendix 2 Action plan

Recommendations	
<b>Recommendation 1</b>	
Ensure that the IA recommendation to approve and test a Disaster Recovery Plan is implemented by September 2012.	
<b>Responsibility</b>	
<b>Priority</b>	
<b>Date</b>	
<b>Recommendation 2</b>	
Ensure that all payroll control accounts are completed and reviewed on a timely basis.	
<b>Responsibility</b>	
<b>Priority</b>	
<b>Date</b>	
<b>Comments</b>	
<b>Recommendation 3</b>	
Consider reintroducing the control and suspense account log used in 2010/11 to strengthen the monitoring of the timeliness of reconciliations and make it easier to review of the reported position.	
<b>Responsibility</b>	
<b>Priority</b>	
<b>Date</b>	
<b>Comments</b>	
<b>Recommendation 4</b>	
Ensure that all finance procedure notes are updated to reflect the changes in the structure of the Finance department.	
<b>Responsibility</b>	
<b>Priority</b>	
<b>Date</b>	
<b>Comments</b>	

**Recommendations**

**Recommendation 5**

Ensure that IA's recommendation that journal logs to be signed off by the relevant Finance Manager or Head of Service is implemented.

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments**

**Recommendation 6**

Ensure that the weaknesses in payroll controls identified by IA are addressed to ensure that adequate controls are in place for 2012/13.

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments**

**Recommendation 7**

Ensure that the Central Master Data Team hold a listing of approved authorisers for the SAP Customer Master Maintenance form.

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments**

**Recommendation 8**

Ensure that the recommendation made by IA to update the Financial Scheme of Management has been implemented.

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments**

**Recommendations**

**Recommendation 9**

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

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments**

**Recommendation 10**

As recommended by IA:

- carry out regular reconciliations between the Acolaid system and SAP;
- ensure project descriptions are consistent and accurate; and
- adopt a consistent approach to the number and type of documents maintained on the Council's website.

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments**

**Recommendation 11**

Enhance the IT capabilities of the Acolaid system to enable it to sum the individual schemes recorded.

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments**

**Recommendation 12**

Improve the accuracy of the reporting of Section 106 expenditure on the Council's website.

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments**

**Recommendations**

**Recommendation 13**

Keep a record to ensure that Section 106 balances held will be spent within the required time frame of the relevant agreements.

**Responsibility** \_\_\_\_\_

**Priority** \_\_\_\_\_

**Date** \_\_\_\_\_

**Comments** \_\_\_\_\_

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- any director/member or officer in their individual capacity; or
- any third party.



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# **Audit**

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# **Committee**

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# **update**

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**Central Bedfordshire**

**Audit 2011/12**

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

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

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

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## Introduction

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.
- 2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.
- 4 Finally, please also remember to visit our website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Paul King

District Auditor

June 2012

## Progress report

### Financial statements, Value for money conclusion and

**5** I have issued my Pre Statements Memorandum, setting out the key messages from my interim audit visit, the report includes the findings from my work on:

- the Council's key financial systems
- the value for money (VFM) conclusion and
- the arrangements in place for recording and monitoring Section 106 receipts and expenditure

**6** I am presenting the Pre Statements Memorandum to the June 2012 Audit Committee together with this Audit Committee Update. Therefore I will go in to any further detail on these pieces of work in this document.

**7** My team will be starting work on the Council's Statements of Accounts shortly. The team has been able to start some of the work early as your officers have provided us with draft notes to the accounts as they have been completed. The substantive testing of the payroll system will also be carried out in June.

### Other areas of work

#### Grants certification

**8** As I reported to you in my last progress report the Housing Benefits and Council Tax benefits return was certified by the 30 November 2011 deadline. While there were improvements in the process to ensure that the claim was signed off on a timely basis there were still a large number of errors found and reported in the Qualification Letter. I expect the DWP to ask both the Council and I to carry out additional work in respect of some of the issues raised so that they can quantify the error or to claw back the benefit paid.

## Other matters of interest

### 2012/13 audit fees

**9** Following a consultation exercise, the Audit Commission has agreed the work programme and fee scales for 2012/13 audits of health and local government bodies. It sent out letters notifying organisations of the new fees on Wednesday 11 April.

**10** The scale fee published by the Commission for the 2012/13 audit for Central Bedfordshire is £184,885. The Commission has also published indicative fees for the certification of grant claims and returns. This indicative fee is based on the latest actual certification fees for 2010/11, it incorporates a 40 per cent reduction as well as the fact that a number of grant schemes will no longer require auditor certification. The indicative fee for Central Bedfordshire claims work in 2012/13 is £45,350.

### Annual fraud and corruption survey 2011/12

**11** On 2 April 2012 the Audit Commission issued its annual survey to collect information regarding all detected fraud and corruption for the 2011/12 financial year.

**12** The electronic survey was open for audited bodies to complete and submit between 2 April 2012 and 11 May 2012. The Council completed this return by the due date.

## National Fraud Initiative consultation

**13** The Audit Commission has published its work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI).

**14** The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

**15** The work programme will remain unchanged from NFI 2010/11 and, in recognition of the financial pressures that public bodies are facing, the scale of fees for mandatory participants will remain the same as for NFI 2010/11. For Central Bedfordshire Council this is £3,650.

## Local government capital finance system

**16** In late 2011 the Department for Communities and Local Government (DCLG) issued a consultation document on proposed changes to the Local Government capital finance system.

**17** A summary of the consultation responses was published on 8 February 2012 and the Regulations came into force on 31 March and 1 April 2012.

**18** DCLG's commentary confirms the intended effects of the amended Regulations are:

- to bring securitisation (the exchange of future revenues for an immediate lump sum payment) within the capital finance framework;
- to relax the rules on bond investments; and
- to clarify the definition of capital expenditure.

**19** DCLG has also published an updated edition of Capital Finance: Guidance on Minimum Revenue Provision. The amendments to the statutory guidance relate to Housing Revenue Account (HRA) reform only and impact from 2012/13. The changes to the guidance are to ensure that authorities taking on new debt do not face any inappropriate increase in their minimum revenue provision liability.

## Openness and accountability in local pay

**20** On 17 February 2012 DCLG published guidance which sets out the key policy principles that underpin the pay accountability provisions in the Localism Act.

**21** For each financial year, beginning with 2012/13, the Council will be required to prepare a pay policy statement that must articulate its policies on the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

**22** The statement must be:

- approved by full Council, or a meeting of members in the case of a Fire and Rescue Authority; and
- published on its website.

## **Accounting for HRA Self Financing**

**23** In March 2012 CIPFA produced guidance on the required accounting entries for councils making or receiving settlement payments to or from the Secretary of State in preparation for the commencement of self-financing of the Housing Revenue Account (HRA) from 1 April 2012. These transactions take place in the 2011/12 financial year and will therefore be reflected in the Council's financial statements for the year ended 31 March 2012.



## Key considerations

**24** The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council considered the implications of the amendments to the capital financing regulations?
- Has the Council considered the guidance from CIPFA regarding the settlement payment to the Secretary of State in preparation for the commencement of self-financing of the HRA?

## Response to key considerations from April Audit Committee Update

The following update has been provided by the Head of Internal  
Audit and Risk

Key Consideration	Response
<p>Has the Council reviewed its 2010/11 accounts and identified ways in which these could be streamlined or clarified?</p>	<p>The Financial Controller reviews the draft 2011/12 accounts weekly during the closedown process in May and recognises the need for the accounts to be clear and understandable. To this end outlines explaining all major statements are provided as well as a glossary of accounting terms to help user-friendliness. All statements and notes within the accounts are statutory requirements so cannot be excluded but senior finance officers always aim to make statements and notes as understandable as possible. Further reviews are ongoing.</p>
<p>Has the Council reviewed the Audit Commission / Local Government Association joint report on managing workforce costs and is the Audit Committee satisfied that appropriate use has been made of the supporting materials?</p>	<p>The Council has reviewed the Report and in the past 2+ years has implemented a number of the suggested actions including:- restructuring and reduction of senior management posts by 24%, restructured many services reducing posts, renegotiation of agency costs via CMS and implemented stricter control of use of consultants. The Council also implemented a review of terms and conditions of employment for all employees including a 2% cut to pay for all above a full time equivalent salary of £21,519 pa and changes to car allowances to reduce costs significantly.</p> <p>Managing the costs of staffing continues to be a focus as the Council commences implementing the Workforce Plan – a Strategic Framework.</p> <p>Improved data regarding all staff related</p>

	costs will be more readily available to managers as the Council delivers the SAP Optimisation project and ESS/MSS (Employee Self Service/Manager Self Service).
Has the Council circulated the briefing for elected members on the Audit Commission's workforce report to Members? Is the Audit Committee satisfied that the questions within the briefing have been properly considered by the Council?	This will be circulated to members via the Members Bulletin
Has the Council reviewed the questions included in the Audit Commission's briefing paper on joining up health and social care?	The Council is aware of the report and benchmarking tool and is currently considering the potential for its application within the authority.
Has the Council used the Audit Commission's tool to benchmark the performance of its NHS and social care partnership?	See above.
Has the Council reviewed its prudential indicators in the light of CIPFA's revised prudential code?	The Council has revised and updated the prudential indicators in the light of CIPFA's revised prudential code.
Has the Council reviewed CIPFA's guidance notes for the 2011/12 financial statements and made satisfactory arrangements for their implementation?	The Council is aware of the guidance notes and is utilising them as appropriate.
Has the Council reviewed CIPFA's guidance on HRA self-financing and made satisfactory progress for its implementation?	The Council is aware of the guidance notes and considered the issues involved within the "Budget Report for the Landlord Services Business Plan under the self financing regime", which went to Executive on 14 <sup>th</sup> February 2012.

## Contact details

**25** If you would like further information on any items in this briefing, please feel free to contact either your District Auditor or Audit Manager.

**26** Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

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**Meeting:** Audit Committee  
**Date:** 25 June 2012  
**Subject:** Internal Audit Annual Audit Opinion  
**Report of:** Chief Finance Officer  
**Summary:** This is the annual report of the Head of Internal Audit and Risk to those charged with governance on the overall adequacy and effectiveness of Central Bedfordshire Council's financial and other management internal controls.

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**Advising Officer:** Chief Finance Officer  
**Contact Officer:** Kathy Riches , Head of Internal Audit and Risk  
**Public/Exempt:** Public  
**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:**

1. None directly from this report. However, sound systems assist in preventing loss of resources (by other wastage or fraud), thereby improving effectiveness and efficiency.

##### **Legal:**

2. None directly from this report.

##### **Risk Management:**

3. No risk management implications come directly from this report but the Audit Plan was produced using a risk based approach, following the completion of a detailed Audit Needs Assessment which took into account strategic and service area risks.

##### **Staffing (including Trades Unions):**

4. None directly from this report.

**Equalities/Human Rights:**

5. None directly from this report.

**Public Health**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to consider and comments on the contents of the report.**

**Background**

10. The Accounts and Audit Regulations 2003 (as amended 2006 and 2011) require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices. Proper practice is defined as the CIPFA Code of Practice for Internal Audit in Local Government 2006 (the Code). In accordance with the Code, the Head of Internal Audit is required to provide a written report to those charged with governance, timed to support the Annual Governance Statement, which should include an opinion on the overall adequacy and effectiveness of the Council's control environment.
- 11 This report:
- Presents an opinion on the overall adequacy and effectiveness of Central Bedfordshire's internal control environment, along with any qualifications to that opinion
  - Summarises audit work undertaken from which that opinion is derived
  - Highlights significant issues identified as part of Internal Audit's work, including those that are particularly relevant to the Annual Governance Statement
  - Compares the Internal Audit work actually undertaken with the work that was planned and summarises the performance of the internal audit function against its performance measures and criteria.



## **Responsibilities**

12. It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.

## **Internal Control Environment**

13. The Code defines the control environment as comprising the Council's systems of governance, risk management and internal control.
14. In order to form an opinion on the overall adequacy and effectiveness of the control environment, the internal audit activity is planned to provide coverage of financial controls through review of the key financial systems, and internal controls through a range of operating activity both within directorates and cross cutting, using a risk based approach. The work undertaken by Internal Audit helps inform the Annual Governance Statement.

## **The Audit Methodology**

15. Internal Audit complies with the CIPFA Code of Practice. There are documented Terms of Reference, as set out in the Internal Audit Charter, that specify the objectives and scope of Internal Audit. The Head of Internal Audit and Risk has undertaken a self assessment of compliance with the Code. In accordance with the requirements of the Accounts and Audit Regulations 2003 (as amended 2006) the Chief Finance Officer has carried out a review of the effectiveness of the System of Internal Audit. The scope of the review covered compliance with the CIPFA Code of Practice for Internal Audit 2006, and reporting on performance and outcomes to the Audit Committee.
16. The Internal Audit Strategy and Plan for 2011/12 was approved by the Audit Committee in April 2011.
17. The Internal Audit Plan identified the individual audit assignments. The activity was undertaken using a systematic risk based approach. The objectives for each activity were determined and risks in the processes that supported that activity were identified and set down in terms of reference that outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations necessary to provide sufficient evidence in forming an overall opinion on the adequacy of the internal control framework.
18. Internal Audit reports provide an overall conclusion on the control environment for each system reviewed. A summary of the conclusions for each audit is attached as Appendix A to this report. The definitions of each conclusion are attached as Appendix B.

19. To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager to perform quality reviews at four stages of the audit assignment: the audit brief (terms of reference), file review, draft report and final report stages. In addition, the Head of Internal Audit and Risk reviews all reports.
20. In addition to this annual report, the Audit Committee receive regular progress reports throughout the year.

### **The Internal Audit Team**

21. During 2011/12 the Internal Audit Service was delivered by a team of suitably qualified auditors, supported by external contractors. Each member of the team undertakes a regular Performance Development Review (PDR) and participates in Continuing Professional Development (CPD) as appropriate.

### **Head of Internal Audit's Opinion on the System of Internal Control**

22. The CIPFA Code of Practice on Internal Audit requires the Head of Internal Audit to provide an overall opinion on the adequacy and effectiveness of the Authority's internal control environment.
23. The Internal Audit work undertaken during the year has enabled Internal Audit to provide an objective assessment of whether systems and controls are operating effectively. In giving an audit opinion, however, it should be noted that assurance can never be absolute. However, the scope of the activity undertaken is sufficient for reasonable assurance to be placed on the work.
24. The Audit Commission, as the Council's external auditors, have reviewed the work undertaken by Internal Audit on the managed audits and have been able to place reliance on the work, and have been in agreement with the audit opinions given.
25. A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown at Appendix A of this report.
26. The opinion on the Council's System of Internal Control is that overall it continues to be adequate. In general the key controls in place are adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

27. This conclusion is based on the following:
- A Code of Financial Governance is in place, and is incorporated within the Constitution.
  - Financial Procedures support the Code of Financial Governance.
  - A Financial Scheme of Management is in place.
  - Procedures and processes have been documented in a number of key areas.
  - Adequate controls were found to be in place in a number of areas.
  - Progress has been made in addressing many of the high risk Internal Audit recommendations made.
  - The audit opinion for the Main Accounting System has improved from limited to adequate assurance, reflecting the improvement in the controls over the reconciliation of bank and control accounts.
28. It should be noted that most audits undertaken have resulted in reports identifying areas for improvement which have been well received by managers, and actions agreed to address weaknesses in control. The implementation of these actions is tracked by Internal Audit and the progress against the implementation of high recommendations is regularly reported to the Audit Committee.
29. In arriving at the opinion the following has been taken into account:
- The results of the audits undertaken as part of the 2011/12 plan
  - The results of follow up action in respect of previous audits
  - Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.
30. The following key concerns were identified and these have been reflected in the Annual Governance Statement:
- Some key controls are not operating effectively in the payroll systems resulting in a limited assurance opinion. Controls in this area need to be strengthened. Some improvements on last year have been noted and a number of the control issues identified have been incorporated within the SAP Optimisation project which is currently ongoing. The payroll service was brought back in house from 1<sup>st</sup> April 2012. This has resulted in a review of processes, which will continue during 2012/13.
  - Although progress has been made during the year to address the control weaknesses identified during the first two years of the Council in respect of the managed audits of the key financial systems and improvements have been noted in the reviewing and monitoring of control and suspense accounts and bank account reconciliations, further work needs to be undertaken to ensure that the Council's Financial Procedures are comprehensively documented and reviewed.
  - There has been a significant turnover of senior finance staff during the year and until a more permanent and stable management structure is in place there remains an inherent risk within the financial systems relating to capacity, experience and expertise
  - A number of IT related concerns were identified, including disaster recovery, and access and security issues.

### **Delivery of the 2011/12 Internal Audit Plan**

31. The operation of the key financial systems is a key part of the internal control environment. The table at Appendix A sets out the outcome of the reviews of these systems, and indicates whether the opinions are final or provisional, as some of the work is still ongoing. The opinions given during 2010/11 are included for comparison. The appendix also summarises other reviews undertaken during the year.
32. The reviews of the key financial systems (Managed Audits) help inform the Annual Governance Statement. From the review of 12 key systems for which an opinion has been determined, 1 was given full assurance, 9 were “adequate”, 2 were “limited” and none were “unsatisfactory”. There has been an improvement in the opinion awarded to both the Main Accounting and the Housing and Council Tax Benefits systems. It should be noted that the opinions given reflect the controls in place across the whole year.
33. Audit work is not just limited to implementing the audit plan. Internal Audit is involved in other areas advising on systems development and using their skills to provide other general advice to service areas. Internal Audit has participated in the Children’s Case Management System (CCMS) project, providing advice on controls required, and also participated in the Payroll Transition Project. In addition, individual grant claims have been audited, where required.

### **National Fraud Initiative (NFI)**

34. During 2011/12, we continued to complete work on the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes. Work on investigating the resulting positive matches is substantially complete. Work includes matches on pension payments to registered deaths, matching payrolls between authorities, and other matches including UK visas, blue badges, private residential care and Housing Benefits.
35. The Internal Audit team has also assisted other authorities undertake their NFI enquiries by providing information to support their investigations.

### **Anti Fraud Work and Special Investigations**

36. Internal Audit has undertaken work on five investigations during the year. Two are still ongoing. The outcome of two investigations was reported to the September Audit Committee. A further review has been concluded since then, and is summarised at Appendix C.
37. Calls have been received on the Fraud Hotline. Many of the calls received have related to fraud in other organisations and the information has been forwarded appropriately. Some calls have related to allegations of Housing Benefit Fraud and these have been forwarded to the Benefits Team for investigation.

## **Schools**

38. The rolling programme of school audits has continued during 2011/12. During the year final reports were issued to 19 schools. The opinions given for the finalised reviews are set out at Appendix A.

## **Performance Management**

39. The Internal Audit Charter approved by the Audit Committee in April 2011 requires Internal Audit to report its progress on some Key Performance Indicators (KPI). The table below summarises the results for the year, and also includes the previous year's indicators, for comparative purposes.
40. The indicators include both CBC audit activities and school activity.

41. **Activities for 1 April 2011 – 31 March 2012**

KPI	Definition	2011/12		2010/11	
		How we performed	Our target	How we performed	Our target
KPI01	Percentage of total audit days completed.	94%	80%	90%	80%
KPI02	Percentage of the number of planned reviews completed to final report stage.	80%	80%	67%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	59%	80%	59%	80%
KPI04	Time taken to draft reports: Percentage of reviews where the first final draft report was returned by auditee within 10 available working days of receipt of the report from the Auditor.	58%	80%	36%	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%	94%	80%
KPI06	Overall customer satisfaction.	83%	80%	85%	80%

42. **Analysis of indicators:**

KPI01 – During the year we delivered a total of 1,413 productive audit days against a total of 1,500 planned days for the year. This exceeds our target for the period.

KPI02 – This KPI measures final reports issued as at 31 March 2012. 80% of the planned reviews have been completed to final report stage. However, this excludes work on the second phase of the managed audits which was in progress as at 31<sup>st</sup> March. This forms a significant proportion of our work and was substantially completed as at 31 March 2012. This represents an improvement on the previous year and is the first time this target has been met.

KPI03 – Only 59% of planned reviews have been completed within the planned time budgets. Internal Audit will continue to review processes to improve performance against this target.

KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During 2011/12, 58% of draft reports were responded to within the target set. This represents a significant improvement over the previous year. Internal Audit will continue to work with departments to encourage a prompt response.

KPI05 - This indicator measures the time taken by Internal Audit to issue the final report upon receipt of an agreed response from the auditee. During 2011/12 Internal Audit issued all final reports on target, which represents an improvement over the previous year.

KPI06 - Of the 25 questionnaires sent out, 11 have been returned to date, giving a response rate of 44%. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 83%, which is similar to the previous year.

**Review of the Effectiveness of Internal Audit and the Effectiveness of the Systems of Internal Control**

**Background (Accounts and Audit Regulations 2006)**

43. All councils are required to publish an Annual Governance Statement (AGS) to accompany their Statement of Accounts, in accordance with the 2006 Accounts and Audit Regulations (amended 2011). Assessments of the Effectiveness of Internal Audit and the Effectiveness of Systems of Internal Control are two key aspects of the AGS. Central Bedfordshire Council has reviewed both systems for 2011/12 and the findings are incorporated into the Annual Audit opinion and subsequently into the AGS.

**Review of the Effectiveness of Internal Audit.**

44. As referred to in paragraph 6 above, a review of the Effectiveness of Internal Audit was undertaken by the Chief Finance Officer.

## Review of the Effectiveness of the Systems of Internal Control

45. 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
46. The Head of Internal Audit and Risk has supported the Head of Legal Services (Monitoring Officer) to collect evidence required for the production of the AGS.
47. Directors have been requested to sign statements on the Effectiveness of Internal Control for 2011/12, confirming that during the year they were:
- Ensuring that there are arrangements in place for establishing Directorate objectives and compliance to corporate priorities;
  - Ensuring compliance to the Council's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations);
  - Ensuring arrangements for sound budgetary controls;
  - Effectively monitoring and managing performance;
  - Reporting to the appropriate Member Committees;
  - Responding promptly to internal & external audits & inspections;
  - Continuously managing business risks and service continuity arrangements.
48. The work undertaken by Internal Audit on the systems of internal control disclosed that generally they were effective during 2011/12. However, some areas of concern were identified and these are summarised in paragraph 21 above, and are reflected in the Annual Governance Statement.

## Conclusion and Next Steps

49. The work undertaken by Internal Audit has enabled the team to advise management of some of the control weaknesses identified at an early stage, and make recommendations designed to enhance and strengthen controls and mitigate risks.
50. The internal control environment operated adequately during 2011/12, although some areas of concern identified in the AGS must be addressed promptly.

**Appendices:** Appendix A – Summary of Internal Audit Activity 2011/12  
Appendix B – Definition of Internal Audit Opinions  
Appendix C - Special Investigations finalised during year

**Background Papers:** None



**APPENDIX A**

**Internal Audit Activity during 2011/12**

The table below provides a summary of audit activity during 2011/12.

<b>Review Title</b>	<b>Progress</b>	<b>Audit Opinion 2011/12</b>	<b>Audit Opinion 2010/11</b>
<b>2011/12 Managed Audits</b>		(*indicates provisional Opinion)	
Accounts Payable	Final Phase 1 report issued.  Draft Phase 2 report prepared.	Adequate  Adequate*	Adequate
Accounts Receivable	Final Phase 1 report issued.  Draft Phase 2 report prepared.	Adequate  Adequate*	Adequate
Main Accounting System	Final Phase 1 report issued.  Final Phase 2 report issued.	Adequate  Adequate	Limited
Cash and Banking	Final Phase 1 report issued.  Draft Phase 2 report prepared.	Adequate  Full*	Adequate  Adequate
Payroll	Final Phase 1 report issued.  Draft Phase 2 report prepared.	Limited  To be finalised	Limited
Asset Management	Final Phase 1 report issued.  Work on Phase 2 is ongoing and will be finalised following the year end accounts closure process.	Adequate.	n/a
SWIFT Financials	Draft report prepared.	To be finalised.	Limited

<b>Review Title</b>	<b>Progress</b>	<b>Audit Opinion 2011/12</b>	<b>Audit Opinion 2010/11</b>
Housing Rents	Final phase 1 report issued.  Draft Phase 2 report prepared.	Adequate	Adequate
SAP Access and Security (including IT Disaster Recovery)	Work is currently ongoing and a draft report will be issued shortly.	n/a	Limited.
Treasury Management	Final report issued.	Adequate	Adequate
Council Tax	Final Phase 1 report issued.  Draft Phase 2 report prepared.	Adequate  Adequate*	Adequate
NNDR	Final Phase 1 report issued.  Draft Phase 2 report prepared.	Adequate  Adequate*	Adequate
Housing and Council Tax Benefits	Final Phase 1 report issued.  Draft Phase 2 report prepared.	Adequate  Adequate*	Limited

<b>Other Audit Reviews Completed</b>	<b>Progress</b>	<b>Opinion</b> (*indicates provisional Opinion)
Amey Contract – Highways Services	Final report issued.	Adequate
Children’s Families and Learning - Commissioning	Final report issued.	Adequate
Procurement Issues – Children’s Services Commissioning	Final report issued.	Limited.
IT Governance, including IT Strategy)	Final report issued.	Adequate
Biggleswade Day Centre	Final report issued.	Adequate
Townsend Centre	Final report issued.	Adequate
Members Code of Conduct	Final report issued.	Full
Monitoring Section 106 Agreements	Final report issued.	Limited
Data Quality Management Follow Up	Final report issued.	Satisfactory progress
Post Implementation Review of Schools becoming Fully Funded	Final report issued.	n/a
<b>Grant Claims:</b>		
Luton and Beds Partnership – Grant claim.	Grant claim return audited.	n/a – grant claim
S256 Re-enablement Funding Grant Claim	Grant claim return audited.	n/a – grant claim
S256 Winter Pressures Funding Grant Claim	Grant claim return audited.	n/a – grant claim
<b>School Audits</b>		
Beecroft Lower	Final report issued.	Full
Brewers Hill Middle Follow Up	Final report issued.	Good progress
Caddington Village	Final report issued.	Adequate
Cedars Upper	Final report issued.	Adequate
Derwent Lower	Final report issued.	Limited.
Glenwood School	Final report issued.	Limited.
Gothic Mede Lower	Final report issued.	Limited.
Hawthorn Park Lower	Final report issued.	No assurance.
Holywell Middle	Final report issued.	Adequate
Kings Houghton Middle	Final report issued.	Adequate
Leedon Lower	Final report issued.	Adequate
Parkfields Middle	Final report issued.	Adequate
Priory Middle	Final report issued.	Full
Queensbury Upper	Final report issued.	Adequate
Southcott Lower	Final report issued.	Limited
St Georges’ Lower, Toddington – audit and follow up	Final report issued.	Limited/Good progress recorded at follow up
St. Vincent’s Lower	Final report issued.	Adequate
Stratton Upper	Final report issued.	Adequate
Watling Lower	Final report issued.	Unsatisfactory progress.

## **Key Issues arising from completed reviews**

### **1. 2011/12 Accounts Payable**

This review covered policies and procedures, and the Accounts Payable processes, including ordering, goods receipting, authorisation of invoices, reconciliations and controls over master data. The overall audit opinion was adequate.

### **2. 2011/12 Accounts Receivable**

This review covered policies and procedures, and the Accounts Receivable processes, including invoicing, amendments, accounting arrangements, debt monitoring and write offs. The overall audit opinion was adequate.

### **3. 2011/12 Main Accounting System**

This review covered policies and procedures, accounting for financial transactions, transfers from feeder systems, controls to ensure accuracy, and reporting mechanisms. The overall opinion was adequate, which demonstrates an improvement in the control environment over the previous year.

### **4. 2011/12 Cash and Banking**

This review covered policies and procedures and the processes for ensuring transactions are recorded and supported by appropriate documentation. It also reviewed the access controls to Capita. The audit opinion for the Phase 1 review was adequate. Phase 2 identified no issues of concern and resulted in a full assurance opinion.

### **5. 2011/12 Payroll**

The review covered policies and procedures, controls over standing data, the accuracy of payments and deductions, controls over payments to and received from statutory agencies, the accurate posting of data, and compliance with legislative requirements. The audit opinion for Phase 1 was limited, which was also the opinion given in 2010/11. Some improvements have been noted and a number of the control issues identified have been incorporated within the SAP Optimisation project which is currently ongoing. .

### **6. 2011/12 SWIFT Financials**

SWIFT financials provides key accounting functionality to directorates providing social care services. This review covered the security of the system including passwords and access rights, input processing and output controls, data back up arrangements, and the audit trail. It also considered the processes for the authorisation, reconciliation and interface of Foster Care Payments and Adult Social Care packages with SAP. A number of control issues were identified, (including outstanding recommendations from the previous audits).

### **7. 2011/12 Housing Rents**

This review covered policies and procedures and the processes to support the calculation, receipt and recording of amounts due. The audit opinion was adequate.

**8. 2011/12 Treasury Management**

This review covered policies and procedures, compliance with existing statutory and best practice guidance, performance monitoring, authorisations, accounting treatment, cash flow, investment and borrowing controls and separation of duties. The overall audit opinion was adequate.

**9. 2011/12 Council Tax**

The scope of this review was similar to the above, but covering Council Tax. The overall audit opinion was adequate. In arriving at this opinion, it is recognised that the majority of key controls are in place.

**10. 2011/12 NNDR**

This review covered the NNDR processes including the identification and recording of commercial properties, amendments to accounts, discount and exemption processes, overdue account monitoring and recovery action, the recording of transactions within the authority's accounts, billing processes and business continuity procedures. The overall audit opinion was adequate. In arriving at this opinion, it is recognised that the majority of key controls are in place.

**11. 2011/12 Housing and Council Tax Benefits**

This review covered processes from the receipt of correspondence, assessment of claims, supporting evidence, payment processes, fraud detection, system security arrangements compliance with DWP requirements and performance management. The overall audit opinion was adequate. In arriving at this opinion, it is recognised that good progress has been made in addressing some of the control weaknesses identified in 2010/11, when a limited assurance opinion had been given.

**12. Amey Contract – Highways Services**

This review covered processes for the management of the Highways Maintenance contract including financial management, quality assurance, health and safety and customer complaints. The overall opinion was satisfactory.

**13. Children's Families and Learning - Commissioning**

This review covered commissioning processes in relation to High Level Family Support Services including policies and procedures and performance monitoring. The overall opinion was adequate.

**14. Procurement Issues – Children's Services Commissioning**

This review covered processes for the procurement of High level Family Support Services including policies and procedures and performance monitoring. The overall opinion was limited. Action has been taken to address the issues identified.

**15. IT Governance, (including IT Strategy)**

This review covered the development of a formal IT strategy, financial management, IT standards and policies, and user requirements. The overall opinion was adequate.

**16. Biggleswade Day Centre**

This review covered the policies and procedures for administering the day centre including controls over budgets, payroll and staffing costs, client monies, imprest funds, amenity funds, income and food stick. The overall audit opinion was adequate.

**17. Townsend Centre**

This review covered the policies and procedures for administering the day centre including controls over budgets, payroll and staffing costs, client monies, imprest funds, amenity funds, income and food stick. The overall audit opinion was adequate.

**18. Members Code of Conduct**

This review covered the Council and its Members compliance with the model 2007 Code of Conduct. This included the Council's local code of conduct, Members' awareness of the Code, and the role of the Standards Committee. The overall audit opinion was full assurance.

**19. Monitoring Section 106 Agreements**

This review covered processes in relation to policies and procedures, statutory obligations, and financial management. The overall opinion was limited. Follow up audit work has demonstrated that financial management controls have improved.

**20. Data Quality Management Follow Up**

This review focused on the previously agreed Data Quality Management recommendations from 2009/10 and the extent of their implementation. The audit found that the rapidly changing corporate and national approach to performance and data management had had a significant impact on the Council's approach. An overall opinion of satisfactory progress was given.

**21. Post Implementation Review of Schools becoming Fully Funded**

This consultancy style review was planned at the time of the changes to school banking arrangements in order to review the extent to which the changes were well managed and implemented and the planned savings achieved. The review did not offer an overall opinion but did identify some key conclusions and lessons learned for future efficiency savings initiatives.

**22. School Audits**

The audit reviews for schools focus on the main systems, including purchasing, financial management, payroll, financial returns, governance, asset management and data management, bank accounts and the administration of the school fund. Consideration is also given to any concerns raised by the Schools Finance Team, or the Head Teacher.

Following each audit, an action plan is prepared and agreed with the school. Where any significant weaknesses are identified, a follow up audit visit is undertaken to provide assurance that the agreed actions have been implemented.

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**APPENDIX B**

**Audit Opinions**

<b>Full Assurance</b>	<b>Adequate Assurance</b>	<b>Limited Assurance</b>	<b>No Assurance</b>
Good controls	Adequate controls	Limited controls	Inadequate controls
Low risk of not meeting objectives	Medium/Low risk of not meeting objectives	Medium risk of not meeting objectives	High risk of not meeting objectives
Low risk of fraud, negligence, loss, damage to reputation	Medium/Low risk of fraud, negligence, loss, damage to reputation	Medium risk of fraud, negligence, loss, damage to reputation	High risk of fraud, negligence, loss, damage to reputation
<i>Level of Assurance: High</i>	<i>Level of Assurance: Medium</i>	<i>Level of Assurance: Medium/Low</i>	<i>Level of Assurance: Low</i>

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### Appendix C

<b>SPECIAL INVESTIGATIONS ARISING AND COMPLETED SINCE LAST COMMITTEE</b>				
	<b>Directorate/Area</b>	<b>Potential financial value/risk</b>	<b>Brief Details of Case</b>	<b>Outcome</b>
1.	Assets.	Low	Concerns were raised with the Health and Safety Manager that there was a potential conflict of interest over the awarding of work to a contractor at a school.	There was no evidence to support that the contractor had been favoured. However, as a result of the investigation recommendations were made to improve processes to ensure that transparency and a clear audit trail can be demonstrated in future.,

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**Meeting:** Audit Committee

**Date:** 25 June 2012

**Subject:** Tracking of Audit Recommendations

**Report of:** Chief Finance Officer

**Summary:** This report summarises the high risk recommendations arising from Internal Audit reports and sets out the progress made in their implementation.

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**Advising Officer:** Chief Finance Officer

**Contact Officer:** Kathy Riches , Head of Internal Audit and Risk

**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:**

1. 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:**

2. None arising directly from the report.

##### **Risk Management:**

3. None arising directly from the report. However, the Audit Committee has a role in providing independent assurance on the adequacy of the risk management framework and associated control environment, in line with the Corporate Risk Management Strategy.

##### **Staffing (including Trades Unions):**

4. None directly from this report.

**Equalities/Human Rights:**

5. None directly from this report.

**Public Health**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to consider and comment on the updates as presented.**

**Background**

10. 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.
11. 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.
12. 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**

13. This report sets out the position as at the end of May 2012. 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.

14. 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.

**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/ ACE-Resource s/ACE-People	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	57	3	5	5	1	71	95
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	4	0	0	0	0	4	5
No work started Deadline missed RED	0	0	0	0	0	0	0
Total Recs.	61	3	5	5	1	75	100

15. Appendix C provides details of the 4 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 slippage.
16. 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.

17. **Table 2- Summary of Additional High Priority Recommendations Made Since April 2011 Audit Committee**

	Customer and Shared Services/ ACE-Resources /ACE-People	Office of The Chief Executive	Children's Services	Sustainable Communities	Social Care Health and Housing	Total	%
No. of reports	14	0	1	2	1	18	
Recs:							
Completed GREEN	30	0	14	4	1	49	92
Ongoing-On schedule for completion within timescales GREEN	2	0	0	0	0	2	4
No work started Within target GREEN	0	0	0	0	0	0	0
Ongoing with deadline missed AMBER	1	0	0	1	0	2	4
No work started Deadline missed RED	0	0	0	0	0	0	0
Total Recs.	33	0	14	5	1	53	100

18. Appendix D provides the details of the 2 recommendations contained in Table 2 where implementation of the recommendation is running behind planned completion dates.
19. 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.
20. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the managed audit reviews.

**Future Monitoring**

21. 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**

22. In total there are only 6 recommendations that are now amber (ongoing with deadline missed) and no new amber recommendations have been added since the last report to the Committee.
23. 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.
24. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
25. This continuous tracking and reporting of progress on Internal Audit inspections to the Audit Committee ensures 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

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## Details of Monitoring of High Risk Internal Audit recommendations as at End May 2012 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	5	0	0	0	0	
Payroll 2009-10	26/07/10	30/09/10	10	9	0	1	0	0	See R2
SWIFT Financials 2009-10	23/08/10	30/09/10	4	4	0	0	0	0	
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 R3
SAP Access and Security (incl IT DTR) 2009/10	11/10/10	31/12/10	3	2	0	1	0	0	See R4
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	
<b>Total</b>			<b>61</b>	<b>57</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	
				<b>93%</b>	<b>0%</b>	<b>7%</b>	<b>0%</b>	<b>0%</b>	

**Details of Monitoring of High Risk Internal Audit recommendations as at End May 2012  
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	3	0	0	0	0	
<b>Total</b>			<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
				<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	

**Details of Monitoring of High Risk Internal Audit recommendations as at End May 2012  
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	
<b>Total</b>			<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
				<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	

**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	
<b>Total</b>			<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
				<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	

**Details of Monitoring of High Risk Internal Audit recommendations as at End May 2012  
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	
<b>Total</b>			<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
				<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	

## Details of Monitoring of High Risk Internal Audit recommendations as at End May 2012 - Reports issued since April 2011 Audit Committee

### ACE- RESOURCES/ACE-PEOPLE/ 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	4	0	0	0	0	
Service Level Agreements	13/04/11	31/07/11	4	4	0	0	0	0	
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	1	0	0	0	0	
IT Governance	02/06/11	31/07/11	4	2	2	0	0	0	
SAP Access and Security (incl ITDR) 2010/11	19/08/11	31/12/11	1	1	0	0	0	0	
Council Tax - System Documentation and Walkthrough Testing and 2010/11 Follow Up	09/11/11	31/12/11	1	1	0	0	0	0	
NNDR System Documentation and Walkthrough Testing and 2010/11 Follow Up	22/11/11	31/03/12	2	2	0	0	0	0	
Procurement of Services - Children's Services Commissioning	03/01/12	31/12/11	2	2	0	0	0	0	
Main Accounting System 2011-12 Ph 1	09/01/12	31/01/12	1	0	0	1	0	0	See R1
Housing Rents 2011-12 Ph 1	21/05/12	30/04/12	2	2	0	0	0	0	
Payroll 2011-12 Ph 1	12/03/12	31/03/12	2	2	0	0	0	0	
<b>Total</b>			<b>33</b>	<b>30</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	
				<b>91%</b>	<b>6%</b>	<b>3%</b>	<b>0%</b>	<b>0%</b>	

## Details of Monitoring of High Risk Internal Audit recommendations as at End May 2012 - 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	14	0	0	0	0	
<b>Total</b>			<b>14</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
				<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	

### 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	
<b>Total</b>			<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
				<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	



## Details of Monitoring of High Risk Internal Audit recommendations as at End May 2012 - Reports issued since April 2011 Audit Committee

### 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 4 ref
Amey Contract - Highways Services	02/11/11	31/12/11	4	4	0	0	0	0	
Monitoring Section 106 Agreements	16/01/12	31/12/11	1	0	0	1	0	0	See R2
<b>Total</b>			<b>5</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	
				<b>80%</b>	<b>0%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	

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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><b>Recommendation R1 :</b> 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><b>Rationale for Recommendation:</b> 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><b>Target Dates:</b> End August 2010. End July 2011 (revised) October 2011 (revised) March 2012 – publish omitted procedures on Intranet June 2012 (revised). September 2012 (revised)</p>
<p><b>Current Position and Explanation for Slippage:</b> The current position is that there are a number of Financial Procedures currently under review as a result of the normal schedule of reviewing, audit recommendations, changes in operating procedures and other factors. Some of these have an impact on the Financial Scheme of Delegation. Financial Control is communicating any changes on an ad-hoc basis to those who may be affected and will be updating the version on the intranet once all of the changes are understood and agreed. The reason for slippage is the need to consult and gain agreement in certain areas, particularly where arrangements are changing (c.f. Capital procedures, review of the Constitution, CBC reorganisation, etc).</p> <p>The revised target date is September 2012. By then the updated intranet version will be published with the known agreed changes.</p>

**Payroll 2009/10**

<p><b>Recommendation R2:</b> It should be ensured that timesheets and travel claims are appropriately approved prior to payment.</p>
<p><b>Rationale for Recommendation:</b> The authorised signatory list of managers is incomplete, which hinders the ability to check the authorisations on expenses and travel claims thoroughly.</p>
<p><b>Target Dates:</b> August 2010. September 2011.(revised) March 2012.(revised) June 2012 (revised) End December 2012 (revised)</p>
<p><b>Current Position and Explanation for Slippage:</b> This action has been updated to incorporate anticipated actions in the SAP Optimisation project which may impact on the control mechanism for use of authorised signatories. These have been agreed as part of the Payroll audit for 2011/12.</p> <p>a) Finance action - Review possibilities and timescales for the electronic approval system included in the SAP optimisation programme – <i>Completed.</i> *</p> <p>b) Finance actions - Based on results of this review, determine if interim signature approval list will need to be reinstated – <i>Completed.</i> *</p> <p>c) HR action - When an authorised signatory list is made available, this practice will be developed and maintained – <i>No longer relevant.</i> *</p> <p>*It has been formally specified that the authorised signatory control will be integrated into SAP during the current SAP Optimisation project. An updated signatory list is currently being collated to enable this and this work is expected to continue over the next 6 months, to be completed by the end of 2012 in line with SAP Optimisation</p>

## Teachers' Pensions

**Recommendation R3:**

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 and CBC still has statutory responsibility for content of annual returns for Teachers Pensions.

**Target Dates:**

31 March 2011

1 October 2011(revised)

30 September 2012 (revised)

**Current Position and Explanation for Slippage:**

This recommendation is not now considered a practical way of meeting TP requirements due to the changing educational environment e.g. movement towards academies. A yearly reconciliation as part of the Annual Service Return compensates, to some extent, for any missing data.

Further work is ongoing as part of the consultation with schools on traded services and accommodating the impact of the trading position on the methods of obtaining the information necessary for CBC to discharge its statutory responsibilities.

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

**Recommendation R4:**

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).  
September 2012 (revised)

**Current Position and Explanation for Slippage:**

Work to engage a third party supplier to design and implement a Disaster Recovery Plan has commenced. It is anticipated that this will be completed by September 2012.

Appendix D

**Details on those recommendations outstanding since April Audit Committee Status – All Amber – Ongoing with target missed.**

**Customer & Shared Services/ ACE – Resources**

**Main Accounting System 2011/12 Phase 1**

<p><b>Recommendation R1:</b> Bank Reconciliations should be carried out in accordance with CBC policies and procedures.</p>
<p><b>Rationale for Recommendation:</b></p> <p>There are 2 rationales:</p> <p>1) The Payment Bank Accounts reconciliation was prepared 24 working days after the month end instead of the 15 days deadline for September 2011. Following discussions with the Senior Financial Advisor - Treasury, it was understood that the officer in charge was on annual leave and that there is an ongoing procedure to ensure bank reconciliations are prepared in a timely manner.</p> <p>2) The quarterly reconciliations were also not presented for the Chief Finance Officer's review. It was noted that due to the recent restructure, the Chief Finance Officer has agreed that the independent check of the reconciliation should be undertaken by the Head of Financial Control and that the procedure will be reviewed to reflect this.</p>
<p><b>Target Dates:</b> 31<sup>st</sup> January 2012. 30<sup>th</sup> June 2012 (Revised)</p>
<p><b>Current Position and Explanation for Slippage:</b></p> <p>1) Implemented.</p> <p>2) The current position is that there are a number of Financial Procedures currently under review as a result of the normal schedule of reviewing, audit recommendations, changes in operating procedures and other factors. Some of these have an impact on the Financial Scheme of Delegation. Financial Control is communicating any changes on an ad-hoc basis to those who may be affected and will be updating the version on the intranet once all of the changes are understood and agreed. The reason for slippage is the need to consult and gain agreement in certain areas, particularly where arrangements are changing (c.f. Capital procedures, review of the Constitution, CBC reorganisation, etc).</p> <p>The revised target date is June 2012. By then the updated intranet version will be published with the known agreed changes.</p>

**Sustainable Communities**

**Monitoring Section 106 Agreements**

<p><b>Recommendation R2 :</b> It should be ensured that Acolaid, SAP and the published quarterly reports are reconciled.</p>
<p><b>Rationale for Recommendation:</b> Differences were noted in comparing the 3 sets of financial balances held on the Planning system (Acolaid), the Financial System (SAP) and the Section 106 quarterly reports available on the Council's website.</p> <p>Financial balances were close in value in only 2 out of the 20 instances tested. The discrepancies are due to the incomplete records inherited from the legacy councils.</p>
<p><b>Target Dates:</b> January 2012 April 2012 (Revised). August 2012 (Revised)</p>
<p><b>Current Position and Explanation for Slippage:</b></p> <p>A reconciliation of Acolaid records and finance records is being regularly carried out by finance and planning staff as a result of the audit. The reconciliation is an integral part of the monitoring process. Differences of £81k between the Acolaid and finance systems were reported to the last Audit Committee. These differences are being investigated and currently stand at £8k. This level of difference needs to be seen in the context of some £19.48m of unapplied capital receipts in relation to Section 106 agreements at the present time.</p>



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**Meeting:** Audit Committee  
**Date:** 25 June 2012  
**Subject:** 2012/13 Audit Committee Outline Work Programme  
**Report of:** Chief Finance Officer  
**Summary:** This report sets out the proposed work programme for the Audit Committee for 2012/13.

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**Advising Officer:** Chief Finance Officer  
**Contact Officer:** Kathy Riches , Head of Internal Audit and Risk  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Audit Committee

#### **CORPORATE IMPLICATIONS**

##### **Council Priorities:**

The activities of the Audit Committee are crucial to the governance arrangements of the organisation and as such are supporting all of the priorities of the Council.

##### **Financial:**

1. Although there are no financial risks from the issues identified in the report, the outcome of an effective Audit Committee is for the Council to better manage its risks, thereby increasing protection from adverse events.

##### **Legal:**

2. None arising directly from the report.

##### **Risk Management:**

3. None arising directly from the report. However, the Audit Committee has a role in providing independent assurance on the adequacy of the risk management framework and associated control environment, in line with the Corporate Risk Management Strategy.

##### **Staffing (including Trades Unions):**

4. None directly from this report.

##### **Equalities/Human Rights:**

5. None directly from this report.

**Public Health**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to agree the Work Programme as attached at Appendix A.**

**Background**

10. In order for the Audit Committee to discharge its responsibilities, as detailed in the Constitution, a proposed work programme has been developed.
11. Appendix A contains the key agenda items that the Committee will need to consider during the year.
12. Additional items may be identified during the year.

**Conclusion and Next Steps**

13. The Work Programme is an outline proposal at this stage and is subject to change as the year progresses, as determined by the Audit Committee.

**Appendices:**

Appendix A Proposed Audit Committee Work Programme 2012/13.

**Background Papers:**

None

APPENDIX A

Audit Committee Work Programme 2012/13

Date	Agenda Item
24 September 2012	<p><b>Reports from Internal Audit</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Progress report</li> <li>• Tracking of Internal Audit recommendations</li> <li>• Risk Update Report</li> </ul> <p><b>Reports from External Auditors</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Report</li> </ul> <p><b>Other Reports</b></p> <ul style="list-style-type: none"> <li>• Audited Statement of Accounts</li> </ul>
7 January 2013	<p><b>Reports from Internal Audit</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Progress report</li> <li>• Tracking of Internal Audit recommendations</li> <li>• Risk Update report</li> </ul> <p><b>Reports from External Auditors</b></p> <ul style="list-style-type: none"> <li>• External Audit Update</li> <li>• Annual Audit Letter</li> </ul>
8 April 2013	<p><b>Reports from Internal Audit</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Progress report</li> <li>• Tracking of Internal Audit recommendations</li> <li>• Risk Update Report, including revisions to Risk Management Strategy</li> <li>• Annual Internal Audit Strategy and Annual Internal Audit Plan</li> <li>• Internal Audit Charter</li> </ul> <p><b>Reports from External Auditors</b></p> <ul style="list-style-type: none"> <li>• External Audit Opinion Plan 2012/13</li> <li>• External Audit Fees Letter 2013/14</li> <li>• Annual Grant Claims and Returns report 2011/12</li> <li>• External Audit Update</li> </ul> <p><b>Other Reports</b></p> <ul style="list-style-type: none"> <li>• Draft Annual Governance Statement</li> <li>• Audit Committee Outline Work Programme</li> </ul>
June 2013	<p><b>Reports from Internal Audit</b></p> <ul style="list-style-type: none"> <li>• Annual Internal Audit Opinion</li> <li>• Tracking of Internal Audit recommendations</li> </ul> <p><b>Reports from External Auditors</b></p> <ul style="list-style-type: none"> <li>• External Audit Update</li> <li>• External Audit Pre statements memorandum</li> </ul> <p><b>Other Reports</b></p> <ul style="list-style-type: none"> <li>• Draft Statement of Accounts</li> </ul>

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