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

please ask for Leslie Manning
direct line 0300 300 5132
date 13 September 2012

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time
Monday, 24 September 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:

Cllrs D Bowater (Chairman), M C Blair (Vice-Chairman), Mrs D B Green, D J Lawrence, A Shadbolt 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 25 June 2012 (copy attached).

3. **Members' Interests**

To receive from Members any declarations of interest.

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

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

5. **Petitions**

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

6. **Questions, Statements or Deputations**

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

Reports

Item	Subject		Page Nos.
7	**Annual Governance Report 2011/12** To receive the Audit Commission's report on the findings of the 2011/12 audit.	*	13 - 50
8	**Audit Committee Update** To receive a report from the Audit Commission covering a number of issues including progress on the VFM conclusion and updates on the outsourcing of the work of the Audit Practice and the residual Audit Commission.	*	51 - 64

9	**2011/12 Statement of Accounts**	*	65 - 194
	To consider for approval the Statement of Accounts for 2011/12, following its review by the Audit Commission, and the associated letter of representation from the Council to the Commission.		
10	**Internal Audit Progress Report**	*	195 - 202
	To receive an update on the progress of work by Internal Audit for 2012/13.		
11	**Risk Update Report**	*	203 - 208
	To receive an overview of the Council's risk position as at August 2012.		
12	**Tracking of Audit Recommendations**	*	209 - 226
	To receive a summary of the high risk recommendations arising from the Internal Audit reports together with the progress made in their implementation.		

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CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Chicksands, Shefford on Monday, 25 June 2012

PRESENT

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

Cllrs	Mrs D B Green D J Lawrence	Cllrs	P F Vickers 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
	Mr M Millar	Interim Financial Controller
	Ms K Riches	Head of Audit
	Mr N Visram	Financial Controller
	Mr C Warboys	Chief Finance Officer & Section 151 Officer
Others In Attendance:	Mr P King	Audit Commission
	Mrs C O'Carroll	Audit Commission

A/12/1 **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 2 April 2012 be confirmed and signed by the Chairman as a correct record.

A/12/2 **Members' Interests**

(a) **Personal Interests:-**

Member	Item	Nature of Interest	Present or Absent during discussion
Cllr D Bowater	7	Is community governor at Gilbert Inglefied Academy, Leighton Buzzard.	Present

Cllr D J Lawrence	7	Is Vice-Chair of Bedford Borough Council's Pension Fund Panel (which acts on behalf of Central Bedfordshire Council's pension fund).	Present

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

None.

A/12/3 **Chairman's Announcements and Communications**

The Chairman expressed his thanks to Councillor M C Blair, the Vice-Chairman of the Committee, for attending the Chairman's briefing session on his behalf.

A/12/4 **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/12/5 **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/12/6 **Central Bedfordshire Statement of Accounts 2011/12**

The Chairman welcomed Nisar Visram, the Council's new Financial Controller.

The Committee considered a report by the Chief Finance Officer which presented the draft 2011/12 Statement of Accounts for Central Bedfordshire Council. The Committee was asked to note the content of the Accounts and approve their submission to the Audit Commission for review.

Following a Member's comment discussion took place on aspects of the pension fund.

Under Note 5 to the Statement of Accounts (Material Items of Income and Expense) the Vice-Chairman referred to the disposal of non-HRA property, some 145 properties in total, and commented that this figure was almost fully composed of schools becoming academies. The Chief Finance Officer stated that other key items were the HRA self-financing payment and new loan to fund the payment. Both items appeared in a number of places within the Statement and inhibited a meaningful year on year comparison.

In response to a further query, and in relation to the current Eurozone crisis, the Chief Finance Officer stated that the Council had no funds invested in European banks, including Santander which was, technically, a UK bank. He briefly outlined the difficulties experienced as a result of the downgrading of some banks and the action taken to ensure outlets were available so that money could be placed on deposit. The Chief Finance Officer informed the meeting that he was in receipt of daily updates on the financial situation. He then concluded by assuring Members that the Council was as well positioned as it could be.

RESOLVED

that the content of the draft 2011/12 Statement of Accounts for Central Bedfordshire Council be noted and the Accounts be submitted to the Audit Commission, as the Council's external auditor, for review.

A/12/7 **Pre-Statements Memorandum 2011/12**

The Committee received the Audit Commission's Pre-Statement Memorandum which set out the findings of the work that had been undertaken by the Commission prior to the receipt of the Council's draft 2011/12 Statement of Accounts.

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

- the documentation, walk-through and controls testing of key financial systems;
- the value for money (VFM) conclusion;
- Section 106 agreements.

The Audit Manager (Audit Commission) worked through the report highlighting aspects for Members' information. Particular reference was made to the external auditor's review of the Authority's arrangements for recording and monitoring Section 106 receipts together with the recent Internal Audit work on this topic and the resulting recommendations.

The external auditor had concluded that the arrangements for monitoring and reporting Section 106 expenditure could be improved through the following:

- Enhancing the IT capabilities of the Acolaid system;
- Improving the accuracy of the reporting of Section 106 expenditure on the Council's website;
- Keeping a record to ensure that Section 106 balances would be spent within the required time frame of the relevant agreements.

A Member expressed his agreement with the above and described the difficulties he had experienced in accessing information relating to a Section 106 agreement for his own Ward.

With regard to the Action Plan (attached at Appendix 2 to the report) the Audit Manager stated that a completed version of this document would be submitted to the Committee in September at the same time as the Commission's Annual Governance Report on the Statement of Accounts.

NOTED

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

A/12/8 **Audit Committee Update**

The Committee received a regular update report from the Audit Commission on a wide range of issues. As well as updating the Committee on the progress of the external audit the report also highlighted key emerging national issues and developments which might be of interest to Members.

The District Auditor (Audit Commission) stated that his team would shortly be starting full work on the Council's Statement of Accounts and its findings would be reported to the Committee's September meeting. He stated that some preliminary work had already been carried out and nothing had indicated the likelihood of major issues arising.

The District Auditor then referred to other areas of work including grants certification. He expressed concern that the Audit Commission had yet to hear from the DWP on any extra work that might be required on the issues raised in connection with the audited 2010/11 Housing Benefits and Council Tax benefits return. Any request for additional work would need to be considered with regard to the potential impact on work on the Council's Statement of Accounts and the transfer of responsibilities to Ernst & Young LLP, the new external auditor.

A Member queried when it would be possible to meet Ernst & Young. In response the meeting was advised that an initial meeting involving representatives from the Audit Commission and Ernst & Young, and at which the Chief Finance Officer and Councillor A Shadbolt had represented the Council, had taken place on 14 May. The District Auditor stated that Ernst & Young were keen to meet their new clients once the consultation period with local authorities had finished and they could be formally appointed as the Council's external auditors in July.

NOTED

the Audit Commission's Audit Committee update.

A/12/9 **Internal Audit Annual Audit Opinion**

The Committee considered the annual report by the Head of Internal Audit and Risk which, in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006, presented an opinion on the overall adequacy and effectiveness of the Council's internal control environment together with any qualifications to that opinion and summarised the audit work undertaken from which that opinion was derived. In addition, the report, which covered 2011/12, highlighted significant issues identified as part of Internal Audit's work including those that were particularly relevant to the Annual Governance Statement, a comparison of the Internal Audit work that had been planned against that which had actually been undertaken and a summary of the performance of the internal audit function against its performance measures and criteria.

The meeting noted that the report was timed to support the Annual Governance Statement in accordance with the Code of Practice.

The Head of Internal Audit and Risk advised Members that her opinion on the Council's System of Internal Control was that, overall, it continued to be adequate with a positive direction of travel for a number of elements. She also drew Members' attention to the key concerns which had been identified and reflected in the Annual Governance Statement. Turning to the anti-fraud work the Head of Internal Audit and Risk stated that there had not been a large number of calls on the Fraud Hotline and most had related to possible fraud in other organisations. The information had been passed on the relevant bodies. She added that none of the calls with information relating to the Council had lead to an investigation.

Turning to performance management and the progress made by Internal Audit on its Key Performance Indicators (KPIs) the meeting noted the improvement in the time taken to return a first final draft report by an auditee (KP 104). The meeting noted that measures were being considered in order to improve the figure still further.

NOTED

the Internal Audit Annual Audit Opinion report.

A/12/10 **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 in their implementation as at the end of May 2012.

The Head of Internal Audit and Risk drew Members' attention to the reduction in the number of outstanding high risk recommendations made and included in tracking reports to the Committee during 2010/11 and earlier where implementation of the recommendation was running behind the planned completion dates. Of the four remaining high risk recommendations she stated that the recommendation regarding payroll (the proper approval of timesheets and travel claims prior to payment) should be addressed through the current SAP Optimisation project.

The Head of Internal Audit and Risk then turned to the two high risk recommendations made and included in tracking reports to the Committee since April 2011 where implementation of the recommendation was running behind the planned completion dates. She advised the meeting that the high risk recommendations, which dealt with the main accounting system (bank reconciliations) and the monitoring of Section 106 Agreements, had both been substantially implemented. She concluded by commenting that the maturing and imbedding of key financial systems and controls was leading to fewer high risk recommendations.

In response to a Member's comments regarding the apparent focus on solely positive elements within the Chief Finance Officer's report the author stated that some of the report's content indicated a positive direction of travel rather than a full, positive outcome. He also stressed that officers, whilst happy with the progress made, were not complacent and it was recognised that much work still remained to be done.

NOTED

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

A/12/11 **2012/13 Audit Committee Outline Work Programme**

The Committee considered a report by the Chief Finance Officer which set out the proposed work programme for the Audit Committee for the remainder of the 2012/13 municipal year and the beginning of that for 2013/14. The Head of Internal Audit and Risk stated that the work programme reflected the maturing of the Committee's role.

With regard to the submission of external audit reports to the Committee the District Auditor (Audit Commission) commented that Ernst & Young LLP, the successors to the local Audit Practice, could have their own approach to the content and timing of reports.

In response to comments regarding the forthcoming major changes to the Council Tax system the Head of Internal Audit and Risk stated that this would be taken into consideration in future audit planning.

A Member emphasised the need to ensure that the work undertaken by the internal and external audits was complimentary. In response the District Auditor assured the meeting that Ernst & Young would wish to maximise the effectiveness and efficiency of the external audit function and would, therefore, place a reliance on the work undertaken by internal audit.

RESOLVED

that the proposed work programme for the Audit Committee for the remainder of the 2012/13 municipal year and the beginning of that for 2013/14 be approved.

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.30 a.m.)

Chairman ……………….…………….

Dated ………………………………….

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Annual governance report

Central Bedfordshire Council

Audit 2011/12

Contents

Key messages

This report summarises the findings from the 2011/12 audit. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

I expect to issue an unqualified audit opinion by 30 September 2012. The accounts were again made available to audit prior to the 30 June statutory deadline. Officers were helpful and quick in responding to audit queries which has enabled the audit to be delivered in a timely way. The working papers provided to support the accounts were of good quality and the number of errors identified during the audit has continued to fall. Officers have agreed to amend the accounts for all but two of the errors identified during the audit.

Value for money (VFM)

I have concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Certificate

I plan to issue my certificate with the audit opinion by 30 September 2012 following completion of my work on your Whole of Government Accounts return.

Before I give my opinion and conclusion

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

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) – Integrity, Objectivity and Independence.

I am aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard to reduce the threat.

Table 1: **Threats and safeguards**

Threat	Safeguard
A member of my staff having previously worked with the Council's Head of Audit and Risk.	To reduce this potential risk to an acceptably low level I ensured that this member of staff was not allocated any work that reviewed Internal Audit in general or specific pieces of Internal Audit work.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3);
- approve the letter of representation (appendix 4), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

Financial statements

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

Opinion on the financial statements

I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

My audit seeks to ensure that the accounts are materially correct and present a true and fair view of the Council's state of affairs for the year ending 31 March 2012 and of the financial transactions of the Council in 2011/12. The concept of materiality is defined at appendix 5. For the 2011/12 accounts I have set materiality at £10,394,000. International Auditing Standards (IAS) requires me to set a threshold below which I judge any error to be 'trivial' and do not ask for the accounts to be amended. For 2011/12 any errors less than £103,000 are considered to be trivial, whilst any errors greater than £1,039,400 cannot be considered trivial. For errors between £103,000 and £1,039,400 I have used my professional judgement to determine what is trivial and what is not, depending on the nature and circumstances of the error. Where I identify errors that I consider are not trivial, under auditing standards I must request management to amend the accounts. Where management chooses not to do so, and the Audit Committee agrees, I request a written representation from the Committee as to whether it believes the effects of the uncorrected misstatements are not material individually and in aggregate.

Uncorrected errors

My audit work identified two uncorrected errors, further information is reported in appendix 2 of this report.

Corrected errors

I identified errors in the financial statements, the primary statements and disclosure notes. None of these errors were material. Following a significant improvement in 2010/11, I am pleased to report that the number of errors found and adjustments made to the accounts has fallen again in 2011/12. In my opinion, the errors are not indicative of management bias nor indicate a particular weakness in your arrangements and do not require detailed consideration by the Committee. However, for completeness and information, I highlight the amendments in appendix 3 and table 4. Officers identified two errors in the accounts presented for audit and brought this to my attention. I have shown these separately in appendix 3.

Significant and specific risks and my findings

In January 2012 I reported to you in my Audit Plan the significant and specific risks that I identified relevant to my audit of your financial statements. In table 2 I report to you my findings against each of these risks.

Table 2: **Risks and findings**

Risk	Finding
Significant risks	
Valuation of property, plant and equipment (PPE) The Authority is required to value PPE at fair value (with some exceptions). The valuation is usually an estimate; as such the figures are inherently subjective. In addition, the high monetary value of the assets held mean that even relatively modest changes in the assumptions and variables informing the valuation can have a material impact on the financial statements.	I have reviewed the controls over establishing estimates, including the arrangements for instructing your valuers. I have also carried out my own procedures to enable me to place reliance on the work of the valuer. I have tested movements in valuations and depreciation calculations to satisfy myself that the valuation and depreciation of property, plant and equipment accounted for by the Authority and disclosed in the financial statements was in line with the requirements of the IAS 16 and the Code. My testing has not identified any significant issues to bring to your attention.

Risk	Finding
Schools There may be a risk that the Authority has materially misstated its PPE due to the incorrect inclusion or omission of schools in its balance sheet. A significant number of Central Bedfordshire schools have gained Academy status in 2011/12. These schools will need to be removed from the Authority's balance sheet in the 2011/12 accounts. The Authority currently includes voluntary controlled school buildings in its balance sheet at nil value on the basis that they are owned by the Diocese. While the 2011 Code is not explicit in how different types of schools should be accounted for the Audit Commission's view is that Authorities should review schools on a case by case basis and justify their treatment with reference to IAS 16 and recognise them in the balance sheet where: (a) it is probable that future economic benefits associated with the item will flow to the entity; and (b) the cost of the item can be measured reliably.	During the year 17 schools with a value of £130,591,000 achieved Academy status. All were correctly removed from the Authority's Balance Sheet. Having reviewed its accounting policy for schools the Authority has concluded that its current treatment of Voluntary Controlled (VC) school buildings and land is correct. Accounting for schools has been the subject of debate for local government accountants for a number of years and CIPFA hoped to update and clarify its 2011/12 Accounting Code of Practice to clarify the accounting practice for schools, but this was delayed. CIPFA intends to clarify the position for 2012/13. I therefore accept the Authority's treatment of VC schools however the position should be reviewed when CIPFA issues its guidance.
HRA reform The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. This will adjust the HRA debt of the Authority. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by the Authority. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.	I have evaluated management's oversight of HRA reforms and the transactions required by the Authority. I have agreed the detail on the settlement payment to the DCLG notification. My testing has not identified any significant issues to bring to your attention.

Risk	Finding
Specific risks (a risk that may not lead to a material misstatement in the accounts but does require me to carry out some focussed audit work in that area)	
Section 106 agreements During the 2010/11 audit a member of the public asked questions about the Council's management and use of section 106 funds. Having reviewed the relevant documentation and comments from Council officers, I concluded that the issues raised did not affect my opinion on the financial statements or my value for money conclusion for 2010/11. I will be considering these issues further as part of my 2011/12 audit.	As reported in my Pre Statements Memorandum, my work in 2011/12 has confirmed that there are adequate arrangements in place to ensure that Section 106 monies are spent in accordance with the relevant agreements. In that report I made recommendations to improve the arrangements in place to monitor and report Section 106 monies. In respect to a specific issue raised with me that the Council had spent section 106 monies on an un-adopted road I have concluded that it is reasonable to assume that the road in question was lawfully adopted by the former Bedfordshire County Council. This reflects a legal 'presumption of regularity' which presumes that in certain circumstances a public authority has acted lawfully unless it can be shown that it has not. Given the passage of time, in the absence of evidence that the Council did not comply with the process for adopting the relevant road and there being some evidence suggesting that it did, it is reasonable to rely on the presumption and presume that the Council did adopt the road properly.

Recommendation
R1 Re-visit the accounting treatment of schools once CIPFA issues its update to the Accounting Code of Practice, expected for 2012/13.

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control.

I have not identified any significant weaknesses in internal control that I need to bring to your attention.

I reported in my Pre Statements Memorandum, to the June Audit Committee, that Internal Audit (IA) had 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. To gain sufficient assurance over the payroll expenditure in the accounts I carried out substantive testing on payroll expenditure again this year. My testing did not identify any issues that I need to bring to your attention.

My review of the Annual Governance Statement (AGS) found that it did not include the key concerns which had been reported in the Internal Audit Annual Audit Opinion report as being included in the AGS. Nor did it include reference to the following, which are included in the good practice example AGS included in the CIPFA / SOLACE publication Delivering Good Governance in Local Government.

- The purpose of the system of internal control and how it is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve the organisation's policies, aims and objectives.
- A confirmation that the system of internal control was in place for the duration of the financial year and remained so until the date of approval of the annual accounts.

The AGS has been amended to include the above and I can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

Qualitative aspects of your accounting practices

The accounts were submitted for audit by the due date of 30 June. The draft financial statements were made available to audit prior to the 30 June which enabled my team to start work on the audit early. The quality of the working papers provided to support the accounts has continued to improve and were of a good standard. Officers were helpful and quick in responding to audit queries, which has enabled the audit to be delivered in a timely way.

Last year I reported that there had been differences on the balances for debtors and creditors between Central Bedfordshire Council and Bedford Borough Council. Both councils have continued to work on resolving these differences. I am pleased to report that the position achieved at 31 March 2012 is that the debtor balance in the Central Bedfordshire Council financial statements with Bedford Borough Council was agreed and there was a difference of less than £100,000 on the creditor balance that Central Bedfordshire has with Bedford Borough Council. The early work done on agreeing the position has made the audit more straightforward, both at Central Bedfordshire and Bedford Borough.

I also reported last year that the working papers provided to support the individual debtors and creditors tested were not always adequate. While there have been improvements, I still found errors in my testing of debtors and creditors this year. The errors found were as follows.

- Two creditors classified incorrectly as reported in appendix 3.
- An error in the calculation of an accrual as reported in appendix 3. The error of £187,411 resulted from a formula error in a spreadsheet forming the basis of an Adult Social Care accrual for £250,215. Further examination of the spreadsheet used to calculate ASC accruals found further errors in the formulas used and accruals calculated. It was agreed that it would have taken a significant amount of time to check the entire spreadsheet; however I was able to conclude that the total value of error is uncertain but not material.
- I also found three further errors in my testing, two in respect of creditors and one debtor. I have not reported these errors in detail as their value was trivial.

I have identified weaknesses in the methodology used to allocate support costs and overheads to the services in the Comprehensive Income and Expenditure Statement (CIES). The weaknesses identified do not impact on the net cost of service total but will have affected the allocation of support charges over the service headings in the CIES. I have concluded that the impact of these variances are not material. The weaknesses identified are as follows.

- Actual costs for services have not been calculated and the bases for allocation eg floor area, FTE or gross budget have not been adjusted for changes from the previous year if applicable. It is possible that the allocations would be different if they had taken into account actual expenditure on individual cost centres.
- When allocating pension costs to services in the CIES I would expect the actual costs of pensions (employers contributions, added years and one off contributions to the pension fund) to be reversed out of the CIES and the current cost of service (from the Actuary's report) to be allocated to all cost centres for which there were employee contributions in-year. Instead the net difference between actual costs and cost of service has been allocated to services. Support services and education have not received allocations. This could have distorted the allocation of the cost of service in the CIES.
- The IAS19 adjustment for employer contributions has not included schools in the pro rata allocation. The Authority is not able to identify all of the Local Government Pension Scheme employer contributions made in respect of non teaching staff at schools. Children and Education expenditure has been overstated and other services expenditure has been understated.

I also identified some other areas for improvement and these are set out below, none of which impact on the Balance Sheet or the Comprehensive Income and Expenditure Statement.

Table 3: **Accounting practices, policies, estimates and financial disclosures**

Issue	Finding
Explanatory Foreword	A number of minor amendments were made to the Explanatory Foreword, primarily to ensure that it is consistent with the rest of the statements.
The Code of Practice on Local Authority Accounting sets out expected best practice for the disclosure of financial transactions in an authority's accounts. I reviewed the draft financial statements against the requirements of the Code disclosure checklist.	There were various text amendments to disclosures identified during the audit and the Authority has amended its accounts for these. The Authority includes all the disclosure notes included in the Code of Practice, some of which are nil disclosures as they are not relevant to Central Bedfordshire. The accounts only need to include those disclosure notes that are relevant to Central Bedfordshire Council.
Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations	In Note 7 the 'other adjustments' line should be nil. Last year I reported that this line included un reconciled differences of £7.985m for 2009/10 and £2.883m for 2010/11. This un reconciled difference has fallen to £468,000 in 2011/12, which is not material.
Note 48 Contingent Liabilities	This note has been amended to remove a legal case that has been settled and therefore should not be reported as a Contingent Liability.
Note 50 Nature and Extent of Risks Arising from Financial Instruments	The final paragraph of the Credit risk section of Note 50 (page 87) referred to the £12.5m customer balances but has been amended to refer to the £17.9m customer balances as detailed in the table included in the same note.
Note 15 Financial instruments	Additional wording has been added to this note to clarify why the Carrying value and Fair Values of Loans and receivables disclosed in the table at page 54 does not agree to the value in the table on page 52 of the note. This is due to the inclusion of the Santander interest bearing overnight deposit account balance of £9,805k, which is included in cash and cash equivalents in the balance sheet, in the Loans and receivables disclosed. This balance is not included in the table on page 52 of the note as it is classed as a cash equivalent.

Issue	Finding
HRA Note 2	The vacant possession values disclosed have been amended to reflect the values, as at 1 April 2011 and 1 April 2012 as required by the Code. The draft accounts reported the values as at 31 March each year and included sheltered housing which should be excluded.
Related Party Transactions	In compiling the RPT note 4 Councillors who were not re-elected in May 2011 but were Councillors for the first 5 weeks in 2011/12 were excluded.
Cash Flow	Amendments have been made to the Cash Flow statement to ensure consistency with Notes elsewhere in the financial statements.
Note 35 Officers' Remuneration	There have been a small number of amendments to this note, the most significant being the separate disclosure of the remuneration paid to the Interim Assistant Chief Executive during the year.

There are no matters specifically required by other auditing standards to be communicated to those charged with governance, or other matters of governance interest, that I need to report to you.

Recommendations

R2 The allocation of support service costs in 2012/13 should:

- be based on the actual costs of support services in the year and include a review the bases on which support service costs are allocated on in line with the CIPFA Service Reporting Code of Practice (SeRCoP);
- ensure that pension costs are allocated accurately across all service headings including education and support services; and
- review the practicality of obtaining details of employers contributions made in respect of LGPS employees at schools not paid through the CBC payroll to enable these costs to be accurately reflected in the CIES.

R3 When compiling the 2012/13 financial statements include only those disclosure notes that are relevant to the Authority.

R4 In compiling the data to include in the Related Party Transactions disclosure ensure that all Councillors who have been members of the Council during the year have been included.

R5 Continue to improve the working papers provided to support the debtors and creditors included in the accounts.

Whole of Government Accounts

Alongside my work on the financial statements I am also required to audit and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office. I plan to complete my work and report to the National Audit Office by 30 September 2012.

Value for money

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

I assess your arrangements against the two criteria specified by the Commission. In my January 2012 Audit Plan I reported to you that I had not identified any significant risks, other than those noted in table 2 above, that were relevant to my conclusion. I have set out below my conclusion on the two criteria.

In my Pre Statements Memorandum I reported my provisional conclusion that the Authority had proper arrangements to secure value for money and that I would revisit this conclusion once the final outturn position for 2011/12 was known. The financial statements report an under spend of £0.494 million against budget, within 0.3 per cent of net expenditure. The Authority has also been able to increase its General Fund balance to £10.9 million.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in appendix 1.

Table 4: **Value for money conclusion criteria and my findings**

Criteria	Findings
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience. Focus for 2011/12: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	A key element of our conclusion this year is 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 £164.995million and the transfer took place on 1 April 2012. The additional debt has roughly doubled the Council's existing debt portfolio, which is entirely General Fund (GF) debt. 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.

Criteria	Findings
	As reported in my Pre Statements Memorandum the Council was considering whether or not to adopt a one or two loans pool approach to managing the additional HRA debt. These issues were discussed with officers and the Council decided to adopt a two pool approach to account for the loan debt in 2012/13. The Council's Executive and Corporate Management Team (CMT) understands the significant and financial management challenges and risks facing the organisation and is taking appropriate action to secure a stable financial position. 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 CMT, Executive and Overview and Scrutiny committees scrutinized the proposals in draft before they agreed the final budget. 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. The Audit Committee continues to provide effective financial management by challenging on financial matters.
2. Securing economy efficiency and effectiveness The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. Focus for 2011/12: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.	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. As noted above the Council achieved a balanced budget again in 2011/12, the budget included savings of £19.3 million. Efficiencies of £11.3 million are required 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.

Criteria	Findings
	The Council has considered the significant social and economic drivers for change in the 2012/13 budget and the MTFP. The key drivers identified for change in the budget for 2012/13 reported to the Executive were: ■ 30 per cent increase in population over 75 years old; ■ 65 per cent increase in child protection cases between 2009 and 2011; ■ school moving to academy status and out of control of Local Authorities; and ■ the transfer of Public Health responsibilities to local government in 2013. The budget and the MTFP reflect the Council's strategic objectives and address the Council's priorities in the next four years. 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. 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.

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Fees

I reported my planned audit fee in the January 2012 Audit Plan.

I will complete the audit within the planned fee.

Table 5: **Fees**

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	308,142	308,142
Claims and returns	85,253	85,253
Non-audit work	0	0
Total	393,395	393,395

My work on claims and return is not yet complete however I expect the 2011/12 fee will be in line with the indicative fee.

The Audit Commission has paid a rebate of some £24,650 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £283,492.

Appendix 1 – Draft independent auditor's report

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

Opinion on the Authority financial statements

I have audited the financial statements of Central Bedfordshire Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Central Bedfordshire Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Central Bedfordshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Paul King
District Auditor / Officer of the Audit Commission
Audit Commission,
3rd Floor,
Eastbrook,
Shaftesbury Road,
Cambridge CB2 8BF
September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Capital Grants Note 40	Government grants and other contributions received in the year are disclosed as £45,613k in Note 40. The value of capital grants, included in this total, of £41,808k should agree to 'Capital Grants and other contributions', reported as £42,111k in Note 38. There is an unreconciled difference of £303k.				
Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations	In Note 7 the 'other adjustments' line includes an unreconciled difference of £468k.The difference will relate to items that have gone through the Capital Adjustment Account (CAA) but the corresponding entries in the either the General Fund or HRA have not been identified for the purposes of this reconciliation.				

Appendix 3 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Identified by CBC before accounts given to audit Depreciation	Accumulated Depreciation write off for properties which had been revalued and disposed of in-year had been double counted.				
	Dr Fixed assets			2796	
	Cr CIES		2796		
	Dr Adjustments between Accounting Basis and Funding Basis under regulations (Note7)	2796			
	Cr Capital Adjustment Account				2796
Identified by CBC before accounts given to audit Disposals	King Street Depot was disposed of in April 2011 but this was not reflected on the asset register or the accounts.				
	Cr Fixed assets				330
	Dr CIES	330			
	Cr Note 7		330		
	Dr Capital Adjustment Account			330	

		Statement of comprehensive income and expenditure		Balance sheet	
Note 21 Creditors	DEFRA grant of £149k incorrectly of classified in Note 21 as ‘other local authorities ‘creditor should be classified as a ‘Central Government’ creditor. This is a reclassification issue and did not amend the CIES or Balance Sheet.				
Note 21 Creditors	Amount due from private company of £216k were incorrectly disclosed as a ‘Public corporation and trading funds’ creditor. It should be disclosed as ‘Other entities and individuals’. This is a reclassification issue and did not amend the CIES or Balance Sheet.				
Note 28 Segmental reporting	In the first table of Note 28 ‘Employees expenses’ were overstated and ‘Other service expenses’ understated by £43,805k. In the third and fourth tables of Note 28: the value reported for ‘Depreciation, amortisation and impairment’ was overstated by £2,064k. This has been amended to agree to Note 12.				

		Statement of comprehensive income and expenditure		Balance sheet	
	These are amendments within Note 28 and did not amend the CIES or Balance Sheet.				
Cash and cash equivalents	Cash and cash equivalents balance included balances for Academy schools that should have been reported as creditors. Dr Cash Cr Creditors			1096	1096
CIES	2010/11 income and expenditure amended to agree with audited working papers. Culture and related services Environment and Regulatory service	19 512	511 20		
Note 7 Adjustments between accounting basis and Funding Basis under regulations	The HRA self financing payment of £164,949k was reported as 'Other adjustments 'but should have been included in 'Adjustments primarily involving the CAA'. 'Adjustments primarily involving the CAA' understated by £164,949 and 'Other adjustments' overstated by £164,949. These are amendments within Note 7 and did not amend the CIES or Balance Sheet				

		Statement of comprehensive income and expenditure		Balance sheet	
Minimum Revenue Provision (MRP)	The MRP was overstated by £340k and has been reduced from £5,872k to £5,534k. Cr Note 7 Dr CAA		340	340	
Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations	Reversal of items relating to retirement benefit debits/ credits to the CIES as disclosed in Note 7 amended from £14,520k to £15,849k (£1,329k) to agree with Note 47 and the information received from the Actuary. This is an amendment within Note 7 and did not amend the CIES or Balance Sheet				
CIES Adult social care expenditure Creditors	An error in the calculation of an accrual has resulted in Creditors and Adult Social Care expenditure being overstated by £187k. Dr Creditors Cr CIES		187	187	
CIES Corporate and Democratic Core (CDC)	Corporate and Democtartic Core income and expenditure as disclosed in the CIES included income of £2,412k and expenditure of £402k that should have been re allocated to other service headings in the CIES.				

		Statement of comprehensive income and expenditure	Balance sheet
	This is an amendment within the CIES. CDC income and expenditure overstated and other service headings understated. No impact on the bottom line of the CIES.		

Appendix 4 – Draft letter of management representation

Dear Paul

Central Bedfordshire Council – Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Central Bedfordshire Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012. All representations cover the Council's accounts included within the financial statements.

Compliance with statutory authorities

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

Uncorrected misstatements
The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

(i) Capital Grant Income
This misstatement will not be corrected in the accounts due to the immaterial nature of the item.

(ii) Note 7 – Other Adjustments
This misstatement will not be amended within the accounts due to the immaterial nature of the item.

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

Irregularities
I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error. I also confirm that I have disclosed:

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

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

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

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

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

Specific representations (as included last year)
There are no material onerous contracts that should be provided for under IAS37 other than those which have been properly recorded and disclosed in the financial statements.

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

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

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

I confirm that this letter has been discussed and agreed by the Council's Audit Committee on 24 September 2012.

Signed on behalf of Central Bedfordshire Council

Signed	
Name	C P Warboys
Position	Chief Finance Officer (s.151)
Date	
Telephone	0300 300 8000
Email	Charles.Warboys@centralbedfordshire.gov.uk

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

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

Significance

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

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 6 – Action plan

Recommendations

Recommendation 1

Re-visit the accounting treatment of schools once CIPFA issues its update to the Accounting Code of Practice, expected for 2012/13.

Responsibility	Financial Controller
Priority	High
Date	March 2013
Comments	CIPFA has issued consultation on the 2013/14 Code of Practice, which includes proposals for addressing the accounting treatment of schools, an issue which has not been clarified in accounting guidance in the past. The Council will review the way it accounts for schools in consideration of the CIPFA consultation document and any subsequent guidance issued prior to the end of the 2012/13 financial year.

Recommendation 2

The allocation of support service costs in 2012/13 should:

- be based on the actual costs of support services in the year and include a review the bases on which support service costs are allocated on in line with the CIPFA Service Reporting Code of Practice (SeRCoP);
- ensure that pension costs are allocated accurately across all service headings including education and support services; and
- review the practicality of obtaining details of employers contributions made in respect of LGPS employees at schools not paid through the CBC payroll to enable these costs to be accurately reflected in the CIES.

Recommendations	
Responsibility	Head of Financial Control
Priority	High
Date	March 2013
Comments	Support service allocations are being reviewed in 2012/13 and a model for implementing a consistent and uniform approach was agreed by the Corporate Management Team (CMT) in August 2012. This includes adherence to the Service Expenditure Recommended Code of Practice (SeRCoP) and will consequently ensure that pension cost charges to services, which are affected by support service allocations, will be distributed with greater accuracy. The Council will also review the practicality of obtaining details of employers contributions for schools not paid through CBC payroll.

Recommendation 3	
When compiling the 2012/13 financial statements include only those disclosure notes that are relevant to the Authority.	
Responsibility	Financial Controller
Priority	Low
Date	March 2013
Comments	The statement of accounts and disclosure notes are prepared according to templates issued by CIPFA and included within the Guidance Notes to the CIPFA Code of Practice. Disclosures included in the accounts will be reviewed for relevance.

Recommendation 4	
In compiling the data to include in the Related Party Transactions disclosure ensure that all Councillors who have been members of the Council during the year have been included.	
Responsibility	Financial Controller
Priority	Medium
Date	March 2013
Comments	All Councillors who have been Members at any stage during the financial year will be included in the Related Party Transactions disclosure for 2012/13.

Recommendations

Recommendation 5

Continue to improve the working papers provided to support the debtors and creditors included in the accounts.

Responsibility	Financial Controller
Priority	High
Date	March 2013
Comments	Significant progress has been made in the quality of debtors and creditors working papers. This will be continued by reviewing guidance notes circulated to finance staff and addressing any training needs during the 2012/13 financial year. Working paper formats will also be reviewed, implementing full electronic working papers for the 2012/13 audit

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

audit commission

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September 2012

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Audit Committee update

Central Bedfordshire Council

Audit 2011/12

audit commission

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 currently appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms.

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

Contents

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 that may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions that the Committee may wish to consider in order to assess whether it has obtained sufficient assurance on emerging issues.

3 If you require any additional information regarding the issues included within this briefing, please contact me or your Audit Manager using the contact details at the end of this update.

4 Finally, please also remember to visit the Audit Commission's website (www.audit-commission.gov.uk) that 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

September 2012

Progress report

Financial statements

5 I expect to issue an unqualified audit opinion by 30 September 2012. The findings of my audit of the Council's Statements of Accounts are set out in my Annual Governance Report which is also being reported to this Audit Committee.

6 I plan to issue my certificate with the audit opinion by 30 September 2012 following completion of my work on your Whole of Government Accounts return.

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VFM conclusion

7 I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. My findings have been reported in my Pre Statements Memorandum to the June Audit Committee and again in the Annual Governance Report.

Other areas of work

Grants certification

8 As I reported in my last progress report a number of errors were reported in the Qualification Letter on the 2010/11 Housing Benefits and Council Tax benefits return The Department of Works and Pensions (DWP) have now asked both the Council and I to carry out additional work on some of these issues so that they can quantify the error or to claw back the benefit paid. We are working with officers to plan this additional work, alongside our work on the Council's 2011/12 return, with a view to completing both elements by the deadline of 30 November 2012.

9 We are currently auditing the following claims and returns. We expect to complete the work on all of these claims by the required deadlines.

- National Non Domestic Rate return,
- Teachers Pensions return,
- Housing Revenue Account subsidy return and
- Pooling of Capital Receipts return.

Update on outsourcing the work of the Audit Practice

10 At its July 2012 meeting, the Audit Commission Board confirmed the audit appointments for the audit of the accounts of all principal bodies from 2012/13. These appointments commence on 1 September 2012.

11 On 31 July 2012, the Director of Audit Policy and Regulation wrote to chief executives of all principal bodies to inform them of the Board's decision and to confirm their new audit provider.

12 Each firm has made its own arrangements for making initial contact with the audited bodies to which it has been appointed.

13 For our part, we remain committed to:

- fulfilling our remaining responsibilities to the high standards you expect and deserve; and
- managing a smooth transition from the Audit Practice to your new audit provider, Ernst & Young.

Update on the residual Audit Commission

Audit Commission senior appointments

14 The Commission is reducing and reshaping its workforce so that it can deliver its remaining core functions of audit regulation, contract management and sector support. The Board of the Audit Commission has announced the appointment of Marcine Waterman as Controller of Audit with effect from 1 September 2012. Marcine is currently the Commission’s Director of Audit Policy and Regulation.

15 The Secretary of State for Communities and Local Government, has announced Jeremy Newman as his preferred candidate for the position of Chairman of the Audit Commission Board. Jeremy is the former Chief Executive of BDO International and prior to that was managing partner of BDO's UK firm. Earlier this year he acted as an interim consultant to RSM Tenon PLC. He is a chartered accountant by profession. Jeremy will attend a pre-appointment hearing at the Communities and Local Government Select Committee on 3 September. The Committee will then issue a report setting out its views on the candidate's suitability for the post.

16 The new Chairman will lead the Audit Commission through the period of transition and downsizing, in advance of its proposed abolition. The new Chairman will take up post following the end of the term of office of the current Chairman in September 2012.

Draft Local Audit Bill

17 In 2011 the Government consulted on its proposals for a new local public audit framework. It published its response in January 2012.

18 The draft Local Audit Bill was subsequently published in July 2012 for consultation and pre-legislative scrutiny.

19 This draft Bill sets out:

- the proposed new audit framework for local public bodies;
- the process for the appointment of auditors; and
- and the regulatory framework for local public audit.

20 The consultation closed on 31 August 2012.

2012/13 National Fraud Initiative (NFI)

21 The NFI Team sent a request for data to all participants' directors of finance in June 2012 and also announced the launch of the Audit Commission's 2012/13 web application.

22 Participants are required to submit the required data sets, through the secure NFI web application, by 8 October 2012.

2010/11 local government claims and returns

23 The Audit Commission has recently published a report summarising the results of its certification work in 2010/11. Appointed auditors provided assurance to grant-paying bodies on 2,174 claims and returns for 2010/11, covering £51 billion of expenditure.

24 The report shows that auditors agreed amendments to claims and returns totalling £47.6 million and issued 509 qualification letters. Across all schemes, 23 per cent of auditors' certificates were qualified.

25 The housing and council tax benefit subsidy scheme continues to have high levels of amendments and qualification letters. Of the 2010/11 subsidy claims, 72 per cent were amended and 73 per cent had qualification letters.

26 Auditors reported examples of authorities that had reduced the number of errors, the number of issues requiring attention and certification fees. They highlighted improved working papers, as well as the increased supervision and review of claims and returns.

27 Given the issues that auditors continue to identify, all authorities should review their arrangements against the Audit Commission's guidance 'Claims and Returns: Good Practice for Authorities', which can be found on the Audit Commission's website.

Reducing the cost of adult social care assessments and reviews

28 On 23 August 2012 the Audit Commission published 'Reducing the cost of assessments and reviews', the third in a series of briefings looking at how councils and their partners can achieve better value for money in adult social care.

29 The briefing focuses on social care assessments and reviews. It considers changes in councils' expenditure on assessments and reviews over time, and examines how some councils have managed to keep their costs low while continuing to meet vulnerable people's needs.

30 The briefing highlights a number of ways in which councils can reduce the costs of assessment and review. They include:

- redesigning the ‘care pathway’ to provide information at an early stage to reduce the potential demand for formal assessments;
- reviewing pay rates to find savings, but without risking recruitment and retention
- reducing overheads by streamlining administrative support;
- matching staffing more closely to workload;
- reviewing the grade mix of staff carrying out assessments and reviews; and
- collaborating with other councils to reduce overheads and costs.

31 The briefing includes a checklist to help councils identify the scope for reducing the costs of assessments and reviews. The Commission is also producing a benchmarking tool to accompany this briefing which will enable councils to compare their costs.

Localism Act – update on standards and conduct arrangements

32 On 28 June 2012, DCLG wrote to all principal authorities confirming that the new standards and conduct arrangements apply from 1 July 2012.

33 The new arrangements, set out in the Localism Act 2011, require authorities to:

- develop a local code of conduct dealing with the conduct of members and co-opted members. DCLG has provided an illustrative example of a local code of conduct;
- maintain and publish a register of interests; and
- appoint an independent person to provide advice to the authority on any allegations it may be considering and to members who may be the

subject of the allegation(s). In the letter, DCLG confirms the transitional arrangements for the appointment of the independent person.

34 DCLG has stated that it also intends to publish a guide to members' pecuniary interests.

Public sector internal audit standards

35 We have previously advised you about the collaboration of the Chartered Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) on the development of public sector internal audit standards.

36 A draft set of standards has now been produced and have been issued for consultation. These can be found on CIPFA's website. The consultation exercise ended on 14 September 2012.

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Key considerations

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

- Has the Council established a timetable to enable the provision of the NFI data by the deadline of 8 October 2012?
- Has the Council reviewed its arrangements against the Audit Commission's guidance 'Claims and Returns: Good Practice for Authorities'?
- Has the Council used the checklist in the Audit Commission's briefing *'Reducing the cost of assessments and reviews'* to identify the potential for reducing costs?
- Has the Council used the Audit Commission's benchmarking tool to compare its expenditure on assessments and reviews?
- Has the Council introduced the new standards and conduct arrangements required by the Localism Act 2011?
- Has the Council considered responding to the Government's consultation on the draft Local Audit Bill?
- Has the Council considered responding to the consultation on public sector internal audit standards?

Response to key considerations from June Audit Committee Update

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

Key Consideration	Response
Has the Council considered the implications of the amendments to the capital financing regulations?	The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012 have been considered and applied where relevant.
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?	The Guidance provided by CIPFA (Local Authority Accounting Panel Bulletin 92) was incorporated in the preparation of the Council's Statement of Accounts 2011-12.

Contact details

38 If you would like further information on any items in this briefing, please contact either your District Auditor / Engagement Lead or Audit Manager.

39 Alternatively, all Audit Commission reports - and a wealth of other material - can be found at www.audit-commission.gov.uk.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

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Meeting: **Audit Committee**

Date: **24 September 2012**

Subject: 2011/12 Statement of Accounts

Report of: **Charles Warboys – Chief Finance Officer**

Summary: The report presents the 2011/12 Statement of Accounts for Central Bedfordshire Council. The annual accounts document is attached at Appendix A to the report.

Advising Officer:	Charles Warboys – Chief Finance Officer
Contact Officer:	Ralph Gould – Head of Financial Control
Public/Exempt:	Public
Wards Affected:	All
Function of:	Council

CORPORATE IMPLICATIONS

Council Priorities:

Not applicable.

Financial:

1. The annual accounts report the financial position of the authority at the end of the financial year and are prepared under the International Financial Reporting Standards, as interpreted by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Legal:

2. The Accounts and Audit Regulations 2011 state that the authority is required to approve and publish annual accounts by 30 September following the end of the financial year.

Risk Management:

3. Not applicable.

Staffing (including Trades Unions):

4. Not applicable.

Equalities/Human Rights:

5. Not applicable.

Public Health

6. Not applicable.

Community Safety:

7. Not applicable.

Sustainability:

8. Not applicable.

Procurement:

9. Not applicable.

RECOMMENDATIONS:

The Audit Committee is recommended to:

1. approve the 2011/12 Statement of Accounts; and

2. approve the 2011/12 Letter of Representation.

Background

10. The annual accounts must be published with the audit opinion and certificate no later than 30 September following the end of the financial year. In advance of this the accounts must have been approved by Members. Approval of the accounts is therefore required at the September 2012 Audit Committee. The full set of annual accounts is attached at Appendix A.

11. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve the draft letter of representation to the Audit Commission attached at Appendix B.

Statement of Accounts 2011/12

12. The Chief Finance Officer, as required by the Accounts and Audit Regulations, certified the 2011/12 annual accounts on 30 June 2012. This certified version of the accounts was presented to the June Audit Committee for noting. Public Inspection of the accounts was also undertaken and this was concluded on 3 August 2012.

13. The Statement of Accounts has been subject to external audit validation. The audit of the accounts was undertaken during July, August and September 2012. The Audit Commission's Annual Governance Report is a separate item on this agenda. The Annual Governance Report will outline any major adjustments to the original version of the accounts.

14. As required by the Accounts and Audit Regulations the annual accounts must be published with the audit opinion no later than 30 September. In advance of this the accounts must have been approved by Members. Approval of the accounts is required at the September 2012 Audit Committee.

15. The Statement of Accounts has been produced in accordance with statutory requirements including the requirements of the International Financial Reporting Standards (IFRS), as interpreted by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Letter of Representation

16. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve draft letter of representation to the Audit Commission attached at Appendix B.

Conclusion and Next Steps

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

Appendices:

Appendix A – 2011/12 Statement of Accounts

Appendix B – 2011/12 Letter of Representation

Background Papers: (open to public inspection)

None

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Central Bedfordshire Council
www.centralbedfordshire.gov.uk

APPENDIX A

Annual Statement of Accounts

Central Bedfordshire Council
2011/12

CENTRAL BEDFORDSHIRE COUNCIL

STATEMENT OF ACCOUNTS 2011/12

CONTENTS

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 £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 improving 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 £181,249k (£177,028k 2010/11). At 31 March 2012, the net revenue outturn for the year was £180,755k (£176,701k 2010/11): this is an under spend in the year of £494k (£328k 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	(1,815)
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)
Net expenditure on services	**181,249**	**180,756**	**(494)**
Sources of funding:			
Formula Grant (RSG and NNDR)	50,582		
Council Tax	130,667		
Total Grants & local taxation	**181,249**		

The year end balance on the General Fund has also been increased by £3,929k at 31st March 2012 (£1,827k increase 2010/11) in accordance with our Medium Term Financial Plan, and now stands at £10,919k. Contributions to earmarked reserves (excluding schools) equated to £6,435k (£1,516k 2010/11).

Social Care, Health and Housing

£1,815k under spend due predominantly to:
- £524k over spend on Adult Social Care- Older People packages with demand greater than expected
- £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

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
    - £1,307k 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 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 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 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 £18,526k (£12,091k 2010/11) that are retained against specific projects that would have otherwise been incurred against the General Fund:

Balances available to the Council General Fund	**£'000**	**£'000**
Insurance	4,221	
Redundancy	3,329	
Service based	9,806	
Schools Contingency	900	
		18,526
Balances not available to the Council General Fund		
Schools	10,240	
		10,240
Total		**28,766**

4. The Capital Outturn Position:

The capital programme outturn is £10,334k below the budget. The capital programme net budget was set at £33,908k for 2011/12 (£30,717k for 2010/11). The 2011/12 gross expenditure budget was £86,452k with external funding (grants and contributions) of £52,544k. The net outturn position for the year totalled £23,574k for 2011/12 (£21,556k for 2010/11). There are a number of factors contributing to the underspend for the year including extended tendering and procurement activity, delays in third parties approving grant applications and extended consultation activity. This is analysed across the services as follows:

	BUDGET- Gross Expenditure	**BUDGET- External Funding**	**Revised Full Year BUDGET**	**Actual net Spend**	**Variance**
Directorate	**£000**	**£000**	**£000**	**£000**	**£000**
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)
Sub Total	**81,396**	**(52,544)**	**28,852**	**18,808**	**(10,044)**
Housing Revenue Account	5,056	(0)	5,056	4,766	(290)
Total	**86,452**	**(52,544)**	**33,908**	**23,574**	**(10,334)**

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

5. Capital Resources:

The Council spent £64m this year on capital expenditure. This was funded by applying the following resources:

- Capital Receipts - £3.7m (£29.8m in 2010/11)
- Government Grants and Contributions - £45.6 m (£24.7m in 2010/11).
- Direct Revenue Funding - £1.3m (£1.5m in 2010/11)
- Minimum Revenue Provision £5.5m (£7.0m in 2010/11)
- Borrowing £5.1m (£12.0m repaid in 2010/11)
- Other £2.8m (£0.2m in 2010/11)

During the year all capital receipts were applied to finance capital expenditure, therefore the council no longer holds any capital receipts (£2.6m in 2010/11).

The council was successful in its application to capitalise redundancy costs. The capitalisation directive agreed by the Department for Communities and Local Government equated to £1.992m (£0.4m in 2010/11). The Housing Revenue Account's capital programme is funded through the Major Repairs Allowance £3.8m (£3.7m in 2010/11), usable capital receipts £0.3m (£1.6m in 2010/11) and revenue contribution £0.7m (£0.8m in 2010/11).

A PFI credit of £1.86m, 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.

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:

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

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 £162k during the year (£482k reduction 2010/11). The main reason is reduced capital expenditure funded by revenue 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 £142m. 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 31st 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 31st 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

Usable 2011/12	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Major Repairs £'000	Schools £'000	Usable Total £'000
Balance @ 31st March 2011	**(6,990)**	**(12,091)**	**(3,742)**	**(46)**	**(2,568)**	**(1,480)**	**(200)**	**(11,332)**	**(38,448)**
Movement in Reserves during 2011/12:									
(Surplus)/deficit on provision of services	123,587	0	152,974	0	0	0	0	0	276,561
Other Comprehensive I&E	(466)	0	0	0	0	0	0	0	(466)
Total Comprehensive I&E	**123,121**	**0**	**152,974**	**0**	**0**	**0**	**0**	**0**	**276,095**
Adjustments between accounting basis and funding basis under regulations (note 7)	(133,485)	0	(153,090)	0	2,568	0	0	1,092	(282,915)
Net (increase)/decrease before transfers to Earmarked Reserves	**(10,364)**	**0**	**(116)**	**0**	**2,568**	**0**	**0**	**1,092**	**(6,820)**
Transfers (to)/from Earmarked Reserves (note 8)	6,435	(6,435)	(46)	46	0	0	0	0	0
(Increase)/Decrease in year	**(3,929)**	**(6,435)**	**(162)**	**46**	**2,568**	**0**	**0**	**1,092**	**(6,820)**
Balance @ 31st March 2012	**(10,919)**	**(18,526)**	**(3,905)**	**0**	**0**	**(1,480)**	**(200)**	**(10,240)**	**(45,270)**

Unusable 2011/12	Revalua-tion £'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 Accum-ulated Absence £'000	Unusable Total £'000	**GRAND Total £'000**
Balance @ 31st March 2011	**(50,019)**	**398**	**197,283**	**(828,163)**	**(72)**	**2,065**	**1,292**	**0**	**5,687**	**(671,530)**	**(709,978)**
Movement in Reserves during 2011/12:											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	**276,561**
Other Comprehensive I&E	(9,283)	(243)	53,887	0	0	0	0	0	0	44,363	**43,895**
Total Comprehensive I&E	**(9,283)**	**(243)**	**53,887**	**0**	**0**	**0**	**0**	**0**	**0**	**44,363**	**320,456**
Adjustments between accounting basis and funding basis under regulations (note 7)	14,350	157	(1,550)	267,162	0	(116)	288	0	2,622	282,915	**0**
Net (increase)/decrease before transfers to Earmarked Reserves	**5,067**	**(86)**	**52,337**	**267,162**	**0**	**(116)**	**288**	**0**	**2,622**	**327,276**	**320,456**
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0	**0**
(Increase)/Decrease in year	**5,067**	**(86)**	**52,337**	**267,162**	**0**	**(116)**	**288**	**0**	**2,622**	**327,276**	**320,456**
Balance @ 31st March 2012	**(44,952)**	**312**	**249,620**	**(561,001)**	**(72)**	**1,949**	**1,581**	**0**	**8,309**	**(344,254)**	**(389,524)**

Usable 2010/11	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Major Repairs £'000	Schools £'000	Usable Total £'000
Balance @ 31st March 2010	**(5,163)**	**(10,574)**	**(4,223)**	**(60)**	**(30,942)**	**0**	**(200)**	**(9,028)**	**(60,191)**
Movement in Reserves during 2010/11:									
(Surplus)/deficit on provision of services	(31,480)	0	36,282	0	0	0	0	0	4,802
Other Comprehensive I&E	2,828	0	0	0	0	0	0	0	2,828
Total Comprehensive I&E	**(28,652)**	**0**	**36,282**	**0**	**0**	**0**	**0**	**0**	**7,630**
Adjustments between accounting basis and funding basis under regulations (note 7)	25,309	0	(35,787)	0	28,374	(1,480)	0	(2,304)	14,112
Net (increase)/decrease before transfers to Earmarked Reserves	**(3,343)**	**0**	**495**	**0**	**28,374**	**(1,480)**	**0**	**(2,304)**	**21,744**
Transfers (to)/from Earmarked Reserves (note 8)	1,516	(1,516)	(14)	14	0	0	0	0	0
(Increase)/Decrease in year	**(1,827)**	**(1,516)**	**481**	**14**	**28,374**	**(1,480)**	**0**	**(2,304)**	**21,744**
Balance @ 31st March 2011	**(6,990)**	**(12,091)**	**(3,742)**	**(46)**	**(2,568)**	**(1,480)**	**(200)**	**(11,332)**	**(38,448)**

Unusable 2010/11	Revaluation £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment a/c £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Single Status £'000	Short term Accumulated Absence £'000	Unusable Total £'000	**GRAND Total £'000**
Balance @ 31st March 2010	**(43,163)**	**415**	**326,356**	**(870,759)**	**(72)**	**2,505**	**0**	**2,625**	**8,013**	**(574,080)**	**(634,271)**
Movement in Reserves during 2010/11:											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	**4,802**
Other Comprehensive I&E	(9,779)	(359)	(73,200)	0	0	0	0	0	0	(83,338)	**(80,510)**
Total Comprehensive I&E	**(9,779)**	**(359)**	**(73,200)**	**0**	**0**	**0**	**0**	**0**	**0**	**(83,338)**	**(75,708)**
Adjustments between accounting basis and funding basis under regulations (note 7)	2,923	342	(55,874)	42,596	0	(440)	1,292	(2,625)	(2,326)	(14,112)	**0**
Net (increase)/decrease before transfers to Earmarked Reserves	**(6,856)**	**(17)**	**(129,074)**	**42,596**	**0**	**(440)**	**1,292**	**(2,625)**	**(2,326)**	**(97,450)**	**(75,708)**
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0	**0**
(Increase)/Decrease in year	**(6,856)**	**(17)**	**(129,074)**	**42,596**	**0**	**(440)**	**1,292**	**(2,625)**	**(2,326)**	**(97,450)**	**(75,708)**
Balance @ 31st March 2011	**(50,019)**	**398**	**197,283**	**(828,163)**	**(72)**	**2,065**	**1,292**	**0**	**5,687**	**(671,530)**	**(709,977)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11 Re-stated [1]				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Service Analysis			
85,193	(78,426)	6,767	Central Services to the Public	86,712	(81,849)	4,863
0	(0)	0	Court Services	0	(0)	0
11,121	(1,238)	9,883	Cultural and Related Services	11,787	(1,026)	10,761
25,351	(1,540)	23,811	Environment and Regulatory Services	25,447	(3,065)	22,382
15,978	(7,095)	8,883	Planning Services	18,552	(7,029)	11,523
320,730	(266,391)	54,339	Children's & Education Services	268,487	(206,463)	62,024
26,516	(4,325)	22,191	Highways & Transport Services	26,937	(3,480)	23,457
63,340 [2]	(23,024)	40,316	Council Housing (Housing Revenue Account)	12,565	(24,472)	(11,907)
-	-	-	HRA- exceptional item- self financing	164,995	0	164,995
10,231	(4,465)	5,766	Other Housing Services	9,370	(1,216)	8,154
92,785	(33,713)	59,072	Adult Social Care	87,656	(33,888)	53,768
5,776	(612)	5,164	Corporate & Democratic Core	4,594	(477)	4,117
(60,783) [3]	(1,501)	(62,284)	Non-Distributed Costs	7,566 [4]	(685)	6,881
596,238	**(422,330)**	**173,908**	**Cost of Services**	**724,668**	**(363,650)**	**361,018**
					Notes	
			Other Operating Expenditure		9	
		8,504	Payment of precepts to Parishes			8,607
		672	Levies payable			673
		621	Payments- Housing Capital Receipts Government Pool			644
		33,082	(Gain)/loss on Disposal of Fixed Assets- non current			141,517 [5]
		42,879				151,441
			Financing and Investment Income and expenditure		10	
		5,718	Interest payable on debt			5,703
		94	Interest element of finance leases (lessee)			77
		919	Interest payable on PFI unitary payments			1,724
		34,708	Pension interest costs			28,832
		(23,446)	Expected return on pension assets			(20,991)
		(1,393)	Interest and Investment Income			(1,125)
		(5,861)	Changes in fair value of investment properties			(16,246)
		66	(Gain)/loss on disposals of investment properties			425
		(1,714)	Rentals received on investment properties			(2,211)
		381	Direct operating expenses arising from investment properties			467
		9,472				(3,345)
		0	**(Surplus)/Deficit of Discontinued Operations**			0

continued

[1] "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".
[2] Includes £41m debit from the change in DCLG Social Housing Factor percentage from 46% to 39% (regional percentage).
[3] Includes £62.8m credit from Pension Fund Actuary's report for "past service costs" related to the Council.
[4] Includes £0.1m debit from Pension Fund Actuary's report for "past service costs" related to the Council..
[5] Predominantly schools which have become academies in 2011/12 and therefore are no longer the Council's assets.

	Taxation and Non-Specific Grant Income 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	**(Surplus)/Deficit on Provision of Services**	276,561
	(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	53,887
2,828	Other	(466)
(80,510)	**Other Comprehensive Income and Expenditure Statement- (Surplus)/Deficit**	43,894
(75,708)	**Total Comprehensive Income and Expenditure Statement- (Surplus)/Deficit**	**320,455**

BALANCE SHEET

1st April 2010 £'000	31st March 2011 £'000		Note	31st March 2012 £'000	31st March 2012 £'000
Restated	Restated	Property, Plant & Equipment	12		
263,887	222,788	[8]Council Dwellings		230,200	
605,363	582,371	[8]Other Land and Buildings		443,164 [6]	
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	
1,058,618	1,004,604				886,649
		Investment Properties	13		
56,856	63,350	Investment Properties		79,264	
56,856	63,350				79,264
		Intangible Assets	14		
4,922	5,744	Software		6,650	
4,922	5,744				6,650
		Long Term Investments	15		
5,936	4,602	Non property investments		4,688	
5,936	4,602				4,688
		Long Term Debtors	15		
712	654	Long Term General Debtors (>1 year)		1,143	
712	654				1,143
1,127,044	**1,078,953**	**Long Term Assets**			**978,394**
54,737	41,000	Short Term Investments- principal	15	12,500	
708	536	Short Term Investments- interest	15	296	
660	855	Assets Held for Sale	20	2,961	
		Inventories	16		
46	48	Stocks and Works in Progress		0	
		Short Term Debtors	18		
56,435	63,392	General Debtors (<1 year)		55,620	
16,595	5,057	Cash and Cash Equivalents	19	45,679	
129,181	**110,888**	**Current Assets**			**117,056**

continued

[6] Significant decrease year on year is predominantly schools which have become academies in 2011/12 and therefore are no longer the Council's assets.
[8] Non HRA Other Land and Buildings have been split from the Council dwellings heading and restated for prior years.

(5,006)	(646)	Short Term Borrowing	15	(5,038)	
		Short Term Creditors	21		
(68,992)	(57,993)	General Creditors (within one year)		(52,054)	
(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)	
(87,795)	**(68,623)**	**Current Liabilities**			**(69,501)**
		Long Term Creditors	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 [7]	15	(313,678)	
		Other Long Term Liabilities	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)	
(534,158)	**(411,240)**	**Long Term Liabilities**			**(636,424)**
634,271	**709,978**	**Net Assets**			**389,524**
		Usable Reserves	23		
(5,163)	(6,990)	General Fund (GF) Reserve		(10,919)	
(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)				(45,270)
		Unusable Reserves	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		(561,001)	
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)				(344,254)
(634,271)	**(709,978)**	**Total Reserves**			**(389,524)**

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

[7] £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)	Net surplus/(deficit) on the provision of services	25		(276,561)
	Adjustment net surplus/(deficit) on the provision of services for non-cash movements			
24,385	- Depreciation and impairment	"	38,053	
55,873	- Pension fund adjustment	"	2,880	
(15,947)	- Other movements in General Fund	"	421,957	
6,129	- Repayment of loans	"	5,648	
667	- Revenue contribution to capital	"	624	
(4,960)	- Contributions to provisions	"	(195)	
(19,222)	- Contributions to capital reserves	"	(195,678)	
6,385	- Contributions to revenue reserves	"	5,297	
(2)	- (Increase)/decrease in stock	"	48	
(7,952)	- (Increase)/decrease in debtors	"	7,772	
(8,702)	- (Increase)/decrease in creditors	"	(3,807)	
36,654		"		282,599
	Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities			
4,765	- Interest and investment income	25	4,694	
(12,103)	- Revenue expenditure financed from capital under statute (REFCUS)	"	(23,890)	
(33,029)	- Gain/(loss) on disposal of assets	"	(141,517)	
(40,367)		"		(160,713)
(8,515)	**Net cash flows from operating activities- inflow/(outflow)**	"		**(154,675)**
	Investing activities			
(40,289)	- Purchase of Property, Plant & Equipment, investment properties and intangible assets	26	(41,799)	
1,497	- Purchase of short term and long term investments	"	1,177	
(5,456)	- Other payments for investing activities	"	(5,703)	
1,206	- Proceeds from the sale of Property, Plant & Equipment, investment properties and intangible assets	"	2,152	
32,375	- Capital grants	"	51,758	
13,909	- Proceeds from short term and long term investments	"	28,740	
3,242		"		36,325
	Financing activities			
6	- Other receipts from financing activities	27	9	
(704)	- Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	"	(448)	
(5,565)	- Repayments of short term and long term borrowing	"	159,411	
(2)	- Other	"	0	
(6,265)		"		158,972
(11,538)	**Net increase/(decrease) in cash and cash equivalents**			**40,622**
16,595	Cash and cash equivalents at 1st April			5,057
5,057	Bank current account and cash equivalents		45,679	
5,057	**Cash and cash equivalents at 31st March**	19		**45,679**

NOTES TO THE STATEMENT OF ACCOUNTS

CONTENTS:

The following notes are included in the accounts to aid the reader in the interpretation of the core financial statements.

Note 1) Accounting policies

The Statement of Accounts summarises the Authority’s transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice (SeRCoP) 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts are prepared on an accruals and going concern basis.

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) <u>Intangible Assets (note 14)</u>

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. Leases where an asset is held solely for investment purposes and not to meet any Service objectives are categorised as Investment Properties in the Statement of Accounts

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 2011/12, 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
- Software - £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 of 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, detailed in accounting policy 'x'.

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 19th 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) <u>Provisions (note 22)</u>

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:
- 1st January 2010 to 31st December 2010- 17.5%
- 1st January 2011 to 31st 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 • Trading a/c's overheads • HRA proportion of pensions	 • Actual amount differs from accrual estimate • Actual amount differs from accrual estimate • Actual proportion differs from estimate	 If incorrect, effect is mis-statement of values on the Balance Sheet / HRA and potential revenue impact.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price. Values are not included against Uncertainties where it is impractical to do so.

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
Disposals of Items of Property, Plant and Equipment:		£'000
* Non-HRA property disposals	145 properties disposed in total	£141,471
* HRA property disposals	14 properties disposed in total	£390
Disposals of Investments:		
* All other investments mature, not disposed off.	-	-
Reversals of Provisions:		
* Legal cases / Injury & Damage / Other Provisions	No material reversed Legal provisions (note 22)	-
Others:		
* 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 24th 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.

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
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debits / credits to the Comprehensive Income and Expenditure Statement:							
* 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	(143,671)	547	-	-	-	-	143,124
* HRA Self Financing Debt		(164,949)					164,949
Insertion of items not debits / credits to the Comprehensive Income and Expenditure Statement:							
* Statutory provision for the financing of capital investment	5,534	-	-	-	-	-	(5,534)
* 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
Adjustments primarily involving the Capital Grants Unapplied Account:							
* 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	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:							
* 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
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
* Transfer of deferred sale proceeds credit as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	-	-	-	-	-	0
Adjustment primarily involving the Major Repairs Reserve:							
* Reversal of Major Repairs Allowance credit to the HRA	-	744	-	-	(744)	-	
* Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	744	-	(744)
Adjustments primarily involving the Financial Instruments Adjustment Account:							
* Amounts by which finance costs charged to the Comprehensive Income and Expenditure	116	-	-	-	-	-	(116)

Statement are different from finance costs chargeable in the year in accordance with statutory req.							
Adjustments primarily involving the Pensions Reserve:							
* Reversal of items relating to retirement benefit debits / credits to the Comprehensive Income and Expenditure Statement	(14,586)	(1,263)	-	-	-	-	15,849
* Employer's pensions contributions and direct payments to pensioners payable in year	16,247	1,152	-	-	-	-	(17,399)
Adjustment primarily involving the Collection Fund Adjustment Account:							
* 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
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:							
* 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
Adjustment primarily involving the Accumulated Absences Account:							
* 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
Other adjustments:	(825)	0	0	0	0	1,092	(267)
Total Adjustments:	**(133,485)**	**(153,090)**	**2,568**	**0**	**0**	**1,092**	**282,915**

2010/11	General Fund Balance £'000	HRA Balance £'000	Capital Receipt Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Schools £'000	Movement unusable Reserve £'000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debits / credits to the Comprehensive Income and Expenditure Statement:							
* 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
Insertion of items not debits/credits to the Comprehensive Income and Expenditure Statement:							
* 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
Adjustments primarily involving the Capital Grants Unapplied Account:							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure	770	-	-	(770)	-	-	

Statement							
* Application of grants to capital financing transferred to the Capital Adjustment Account	710	-	-	(710)	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:							
* 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
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
* Transfer of deferred sale proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:							
* Reversal of Major Repairs Allowance credit to the HRA	-	684	-	-	(684)	-	-
* Use of the Major Repairs Reserve to finance new capital expenditure	(684)	-	-	-	684	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:							
* 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)
Adjustments primarily involving the Pensions Reserve:							
* 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)
Adjustment primarily involving the Collection Fund Adjustment Account:							
* 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
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:							
* 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)
Adjustment primarily involving the Accumulated Absences Account:							
* 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)
Other adjustments:	1,756	13	0	0	0	(2,304)	535
Total Adjustments:	**25,309**	**(35,787)**	**28,374**	**(1,480)**	**0**	**(2,304)**	**(14,112)**

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.

General Fund: Restated	Balance 31/03/2010 £'000	Transfers out 2010/11 £'000	Transfers in 2010/11 £'000	Balance 31/03/2011 £'000	Transfers out 2011/12 £'000	Transfers in 2011/12 £'000	Balance 31/03/2012 £'000
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
	5,837	(1,404)	5,364	9,796	(1,952)	8,325	16,169
Others below (£200k)	4,737	(3,935)	1,491	2,293	(1,541)	1,603	2,355
	10,574	(5,339)	6,855	12,090	(3,493)	9,928	18,524
HRA:							
Business process re-engineer	47	0	0	47	(47)	0	0
Choice based lettings	13	(13)	0	0	0	0	0
	60	(13)	0	47	(47)	0	0
Grand Total	**10,635**	**(5,353)**	**6,855**	**12,136**	**(3,539)**	**9,928**	**18,524**

Note 9) Other Operating Expenditure

	2010/11 £'000	2011/12 £'000
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	141,517
(Gain)/loss on Disposal of Fixed Assets - intangibles	0	0
Total	**42,879**	**151,441**

Note 10) Financing and Investment Income and Expenditure

	2010/11 £'000	2011/12 £'000
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
Total	**9,472**	**(3,345)**

Note 11) Taxation and Non-Specific Grant Income

	2010/11 £'000	2011/12 £'000
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
Total	**(221,457)**	**(232,553)**

Note 12) <u>Property, Plant and Equipment:</u> Movements on balances

2011/12	Council Dwellings (HRA)	Other Land & Buildings (HRA)	Other Land & Buildings (non-HRA)	Vehicles, Plant, Furniture & Equipment	Finance Leases- Multi Functional Devices Equipment	Finance Leases- fleet vehicles	Infra-structure	Community Assets	Surplus Assets	Assets under Construction	**Total Property, Plant and Equipment (PPE)**	PFI assets included in PPE total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or valuation:												
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
As at 31st March 2012	**230,200**	**77,558**	**393,415**	**18,297**	**1,121**	**417**	**197,537**	**1,956**	**1,997**	**41,905**	**964,403**	**0**
Accumulated depreciation and impairment:												
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	4,166	97	0	0	0	0	0	0	**4,263**	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
As at 31st March 2012	**0**	**(49)**	**(27,760)**	**(11,792)**	**(224)**	**(400)**	**(37,447)**	**(3)**	**(78)**	**0**	**(77,754)**	**0**
Net book value:												
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
at 31st March 2012	**230,200**	**77,509**	**365,655**	**6,505**	**897**	**17**	**160,090**	**1,953**	**1,919**	**41,905**	**886,649**	**0**

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

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 31st 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.

	Council Dwellings (HRA)	Other Land & Buildings (HRA)	Other Land & Buildings (non-HRA)	Vehicles, Plant, Furniture & Equipment	Finance Leases-Multi Functional Devices Equipment	Finance Leases-fleet vehicles	Infra-structure	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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:											
* 31st March 2012	230,200	77,509	365,655	0	0	0	0	0	1,919	41,905	717,188
* 31st March 2011	222,051	74,919	113,511	0	0	0	0	0	1,953	30,466	442,900
* 31st March 2010	737	0	393,941	0	0	0	0	0	0	0	394,678
Total cost or valuation	230,200	77,509	365,655	6,505	897	17	160,090	1,953	1,919	41,905	**886,649**

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 19th 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:

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

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:

	2010/11 £'000	2011/12 £'000
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
Balance at year end	**63,350**	**79,264**

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
	Internally generated	Other	Total	Internally generated	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of the year						
* 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
Other disposals						
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
Reversals of past impairment losses written back to the surplus/(deficit) on the provision of services:						
Amortisation for the period	0	(1,658)	(1,658)	0	(1,499)	(1,499)
other charges	0	0	0	0	0	0
Net carrying amount at the year end	**0**	**5,744**	**5,744**	**0**	**6,650**	**6,650**
Comprising:						
* 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)
	0	**5,744**	**5,744**	**0**	**6,650**	**6,650**

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	
	Long term	Current	Long term	Current
	£'000	£'000	£'000	£'000
Investments:				
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
Total Investments	**5,000**	**41,536**	**5,000**	**12,796**
Debtors:				
Loans and receivables	654	43,435	1,143	40,232
Financial assets carried at contract amounts	0	0	0	0
Total Debtors	**654**	**43,435**	**1,143**	**40,232**
Borrowings:				
Financial liabilities at amortised cost	(153,621)	(646)	(313,678)	(5,038)
Financial liabilities at fair value through profit & loss	0	0	0	0
Total Borrowing	**(153,621)**	**(646)**	**(313,678)**	**(5,038)**
Other long term liabilities:				
PFI and finance lease liabilities	(18,453)	-	(18,005)	-
Liability related to defined benefit pension scheme	(197,282)	-	(249,620)	-
Investment funds	(34)	-	0	-
Total other long term liabilities	**(215,769)**	**-**	**(267,625)**	**-**
Creditors:				
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)
Total creditors	**(576)**	**(56,671)**	**(355)**	**(51,524)**
Grand total	**(364,313)**	**27,655**	**(575,515)**	**(3,534)**

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	Financial liabilities at amortised cost	Financial Asset loans & received	Financial Assets available for sale	Assets/ Liabilities at Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	5,703	-	0	-	5,703
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	-	-	-	0	0
Fee expense	-	0	-	-	0
Total expense in (surplus)/deficit on the provision of services	**5,703**	**0**	**0**	**0**	**5,703**
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
Total income in (surplus)/deficit on the provision of services	**0**	**(882)**	**(243)**	**0**	**(1,125)**
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
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure Statement	**-**	**-**	**(0)**	**-**	**(0)**
Net (gain)/loss for the year	**5,703**	**(882)**	**(243)**	**0**	**4,578**

2010/11	Financial liabilities at amortised cost	Financial Asset loans & received	Financial Assets available for sale	Assets/ Liabilities at Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	5,718	-	0	-	5,718
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	-	-	-	0	0
Fee expense	-	0	-	-	0
Total expense in (surplus)/deficit on the provision of services	**5,718**	**0**	**0**	**0**	**5,718**
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
Total income in (surplus)/deficit on the provision of services	**0**	**(1,035)**	**(306)**	**0**	**(1,341)**
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
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure Statement	**-**	**-**	**(53)**	**-**	**(53)**
Net (gain)/loss for the year	**5,718**	**(1,035)**	**(359)**	**0**	**4,324**

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:

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

	2010/11 Carrying amount £'000	2010/11 Fair Value £'000	2011/12 Carrying amount £'000	2011/12 Fair Value £'000
Loans and receivables	46,138	46,138	17,484	17,484
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.

The Council held £9.8m in a Call Account with Santander on 31 March 2012 which is included within Loans and Receivables above but excluded from the Financial Instruments table on page 52, as it is considered a Cash Equivalent.

Note 16) Inventories

	Consumable stores		Other		Total	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
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
Balance outstanding at year end	**48**	**0**	**0**	**0**	**48**	**0**

Inventories have been assessed as immaterial for 2011/12.

[8] (£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 undertaking 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

	2010/11 £'000	2011/12 £'000
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)
Total	**63,392**	**55,620**

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:

	2010/11 £'000	2011/12 £'000
Cash held by the Council	0	0
Bank current accounts	5,057	35,875
Cash equivalents - liquid short term investment (overnight)	0	9,804
Short term deposits with building societies	0	0
Total Cash and Cash Equivalents	**5,057**	**45,679**

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

	Current 2010/11 £'000	Non-current 2010/11 £'000	Current 2011/12 £'000	Non-current 2011/12 £'000
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	(330)	0
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
Balance outstanding at year end	**855**	**0**	**2,961**	**0**

Note 21) Creditors

	2010/11 £'000	2011/12 £'000
Central government bodies	(10,113)	(8,323)
Other Local Authorities	(17,214)	(13,088)
NHS bodies	(904)	(332)
Public corporations and trading funds	(20,363)	(7,443)
Other entities and individuals	(9,399)	(22,868)
Finance leases - fleet vehicles	(19)	(16)
Finance leases - multi functional devices printers	(371)	(371)
Total	**(58,383)**	**(52,441)**

Note 22) Provisions

	Outstanding legal cases £'000	Insurance Provision £'000	Other provisions £'000	Total £'000
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
Balance outstanding at year end	**(534)**	**(2,831)**	**(348)**	**(3,713)**

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.

Insurance Provision:

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:

	2010/11 £'000	2011/12 £'000
General Fund Reserve	(6,990)	(10,919)
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)
	(38,448)	**(45,270)**

Note 24) Unusable Reserves

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

	2010/11 £'000	2011/12 £'000
Revaluation Reserve (a)	(50,019)	(44,952)
Available for Sale Financial Instruments Reserve (b)	398	312
Capital Adjustment Account (c)	(828,163)	(561,001)
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
	(671,531)	**(344,254)**

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.

	2010/11 £'000	2011/12 £'000
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
Balance at year end	**(50,019)**	**(44,952)**

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.

	2010/11 £'000	2011/12 £'000
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)
	398	**312**
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
Balance at year end	**398**	**312**

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.

	2010/11 £'000	2011/12 £'000
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	137,395
* HRA self financing		164,995
* Revaluations reversing previous revaluation losses		(15,761)
	113,765	348,570
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	339,623
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)	(5,534)
* Capital expenditure charged against the General Fund and HRA balances	(1,502)	(1,288)
	(62,385)	(56,215)
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
Balance at 31st March	**(828,163)**	**(561,001)**

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.

	2010/11 £'000	2011/12 £'000
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)
Balance at year end	**2,065**	**1,949**

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.

	2010/11 £'000	2011/12 £'000
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)
Balance at year end	**197,282**	**249,620**

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.

	2010/11 £'000	2011/12 £'000
Balance at start of year	(72)	(72)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the capital receipts reserve upon receipt of cash	0	0
Balance at year end	**(72)**	**(72)**

g) Collection Fund Adjustment Account:

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

	2010/11 £'000	2011/12 £'000
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
Balance at year end	**1,292**	**1,581**

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.

	2010/11 £'000	2011/12 £'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
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**
Balance at year end	**0**	**0**

i) Accumulated Absences Account:

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

	2010/11 £'000	2011/12 £'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
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	(2,326)	2,622
Balance at year end	**5,687**	**8,309**

Note 25) Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2010/11 £'000	2011/12 £'000
Net surplus / (deficit) on the provision of services	(4,802)	(276,748)
- Depreciation and impairment	24,385	38,053
- Pension fund adjustment	55,873	2,880
- Other movements in the General Fund	(15,947)	422,144
- Repayment of loans	6,129	5,648
- Revenue contributions to capital	667	624
- Contributions to provisions	(4,960)	(195)
- Contributions to capital reserves	(19,222)	(195,678)
- 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)	(3,807)
	36,654	282,786
- 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)	(141,517)
	(40,367)	(160,713)
Net cash flows from operating activities	**(8,515)**	**(154,675)**

Note 26) Cash Flow Statement - Investing Activities

	2010/11 £'000	2011/12 £'000
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
Net cash flows from investing activities	**3,242**	**36,325**

Note 27) Cash Flow Statement - Financing Activities

	2010/11 £'000	2011/12 £'000
Other receipts from financing activities	6	9
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
Net cash flows from financing activities	**(6,265)**	**158,972**

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 Expenditure Reporting Code of Practice (SeRCoP)*. 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[9]	Social Care, Health & Housing	Sustainable Communities	Total
	£'000	£'000	£'000	£'000	£'000
2011/12					
Directorate Net Budget	35,623	26,458	55,701	50,669	168,451
Corporate costs (including Contingency & Reserves)	-	-	-	-	12,798
Total Net Budget	**-**	**-**	**-**	**-**	**181,249**
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	23,194	18,272	17,813	199,834
* Other service expenses	48,694	92,618	93,212	44,360	278,884
* 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
Net expenditure reported to management	**-**	**-**	**-**	**-**	**180,755**
Variance reported to management	**-**	**-**	**-**	**-**	**Surplus 494**
2010/11					
Directorate Net Budget	32,310	26,916	50,976	47,310	157,512
Corporate costs (including Contingency & Reserves)	-	-	-	-	19,516
Total Net Budget	**-**	**-**	**-**	**-**	**177,028**
Directorate income and expenditure:					
* Fees, charges & other service income	(221,318)	(11,256)	(66,631)	(16,699)	(315,904)
Total income	(221,318)	(11,256)	(66,631)	(16,699)	(315,904)
* Employee expenses	167,920	25,798	18,726	21,364	233,808
* Other service expenses	86,366	14,860	98,474	40,817	240,517
Total expenditure	254,286	40,658	117,200	62,181	474,325
Net Directorate expenditure reported to management	32,968	29,402	50,569	45,482	158,421
Corporate costs (including Contingency & Reserves)	-	-	-	-	18,280
Net expenditure reported to management	**-**	**-**	**-**	**-**	**176,701**
Variance reported to management	**-**	**-**	**-**	**-**	**Surplus 327**

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.

[9] Previously titled "Customer & shared services Office of the Chief Executive".

	2010/11 £'000	2011/12 £'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)	148,517
Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis (Directorate detail below)	(600)	31,746
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	173,908	361,018

The majority of the £148,517k '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:

	Children's Services (includes schools) £'000	Customer & Shared Services Office of the Chief Executive £'000	Social Care, Health & Housing £'000	Sustainable Communities £'000	**Total £'000**
2011/12					
Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis:					
* Depreciation, amortisation & impairment	12,455	6,428	8,518	10,495	**37,896**
* Pensions (current service cost / employers contributions / unfunded elements)	(1,630)	(1,053)	(1,936)	(1,676)	**(6,295)**
* Pensions (past service costs)	38	24	45	39	**145**
					31,746
Allocation of recharges:					
* 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
					25,191
2010/11					
Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis:					
* Depreciation, amortisation & impairment	6,936	4,911	46,400	8,614	**66,861**
* Pensions (current service cost / employers contributions / unfunded elements)	(1,768)	(203)	(1,536)	(1,187)	**(4,694)**
* Pensions (past service costs)	(23,641)	(2,714)	(20,539)	(15,872)	**(62,767)**
					(600)
Allocation of recharges:					
* Support Service recharges	(4,157)	(1,397)	(1,343)	(1,544)	(8,442)
* Support Service recharges	15,113	5,670	7,036	8,809	36,628
					28,186

Reconciliation to subjective analysis:

Please see the next page.

*: As per Comprehensive Income & Expenditure Statement **: As per Outturn Report to management	Directorate analysis excluding recharges (A)	Allocation of recharges (B)	Directorate analysis (C)=(A)+(B)	Services and support services not in analysis (D)	Amounts not reported to management (E)	Amounts not included in Income & Exp (F)	Cost of services (G)=(C)+(D)+(E)+(F)	Corporate amounts (H)	**Total (I)=(G)+(H)**
2011/12	£'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)
Total Income	**(351,509)**	**(7,951)**	**(359,460)**	**(4,189)**	**-**	**-**	**(363,650) ***	**(272,234)**	**(635,883)**
Employee expenses	243,639	-	243,639	-	-	-	243,639	-	243,639
Other service expenses	263,434	-	263,434	152,706	(6,150)	-	409,990	-	409,990
Support service recharges	-	33,142	33,142	-	-	-	33,142	-	33,142
Depreciation, amortisation and impairment	-	-	-	-	37,896	-	37,896	-	37,896
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)	-	-	-	-	-	-	-	141,517	141,517
Total Expenditure	**507,073**	**33,142**	**540,215**	**152,706**	**31,746**	**-**	**724,668 ***	**187,777**	**912,444**
(Surplus) / deficit on the provision of services	**155,564**	**25,191**	**180,755 ****	**148,517**	**33,810**	**-**	**361,018 ***	**(84,457) ***	**276,561 ***
2010/11	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Fee, charges & other service income	(25,357)	(8,442)	(33,798)	(106,426)	-	-	(140,224)	-	(140,224)
(Surplus) / deficit on associates & joint ventures	-	-	-	-	-	-	-	-	-
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)
Total Income	**(307,463)**	**(8,442)**	**(315,904)**	**(106,426)**	**-**	**-**	**(422,330) ***	**(253,424)**	**(675,754)**
Employee expenses	233,808	-	233,808	-	-	-	233,808	-	233,808
Other service expenses	222,169	-	222,169	104,233	(67,461)	-	258,941	-	258,941
Support service recharges	-	36,628	36,628	-	-	-	36,628	-	36,628
Depreciation, amortisation and impairment	-	-	-	-	66,861	-	66,861	-	66,861
Interest payments (note 10)	-	-	-	-	-	-	-	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
Total Expenditure	**455,977**	**36,628**	**492,605**	**104,233**	**(600)**	**-**	**596,238 ***	**84,318**	**680,556**
(Surplus) / deficit on the provision of services	**148,515**	**28,186**	**176,701 ****	**(2,193)**	**(600)**	**-**	**173,908 ***	**(169,106) ***	**4,802 ***

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
Car Parks:					
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	1,158		1,128	
	(Surplus)/deficit		(112)		(174)
Albion Archaeology:					
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	1,504		1,369	
	(Surplus)/deficit		(3)		(2)
Leighton Buzzard Theatre:					
A theatre and cinema venue based in Leighton Buzzard.	Turnover	(168)		(172)	
Cumulative spend over 3 years: £1,024k	Expenditure	330		347	
	(Surplus)/deficit		163		175
Building Control:					
The processing of building regulation applications, site inspections and related fee earning activities.	Turnover	(748)		(601)	
Cumulative spend over 3 years: £1,741k	Expenditure	644		555	
	(Surplus)/deficit		(103)		(46)
Industrial Units, Estates and Business Units:					
Rental and other income, and expenditure relating to various industrial estates and business units.	Turnover	(507)		(781)	
Cumulative spend over 3 years: £705k	Expenditure	221		262	
	(Surplus)/deficit		(287)		(519)
Shops and Offices:					
Rental and other income, and expenditure relating to various shops and offices.	Turnover	(635)		(618)	
Cumulative spend over 3 years: £225k	Expenditure	62		46	
	(Surplus)/deficit		(574)		(572)
Community Buildings:					
Rental and other income, and expenditure relating to Beecroft Centre in Dunstable.	Turnover	(4)		(3)	
Cumulative spend over 3 years: £0k	Expenditure	0		0	
	(Surplus)/deficit		(4)		(3)
Community Leases/Licenses:					
Rental and other income, and expenditure relating to various land and property.	Turnover	(16)		(29)	
Cumulative spend over 3 years: £96k	Expenditure	70		22	
	(Surplus)/deficit		54		(7)

Continued…

<u>Depots & Storage Facilities:</u>					
Rental and other income, and expenditure relating to various depots and storage facilities.	Turnover	(66)		(57)	
Cumulative spend over 3 years: £23k	Expenditure	39		(58) [10]	
	(Surplus)/deficit		(26)		(115)
<u>Farm Estates:</u>					
Rental and other income, and expenditure relating to farm estates.	Turnover	(571)		(813)	
Cumulative spend over 3 years: £329k	Expenditure	94		145	
	(Surplus)/deficit		(477)		(668)
<u>Criminal Records Bureau:</u>					
An administration service to Central Bedfordshire Council, Schools and other external organisations.	Turnover	(164)		(200)	
Cumulative spend over 3 years: £453k	Expenditure	148		150	
	(Surplus)/deficit		(16)		(50)
<u>HEART supply Agency:</u>					
A supply agency of teachers and support staff to Schools.	Turnover	(159)		(95)	
Cumulative spend over 3 years: £483k	Expenditure	174		118	
	(Surplus)/deficit		14		22
<u>Schools HR:</u> A provision of HR services for schools.	Turnover	(306)		(451)	
Cumulative spend over 3 years: £1,488k	Expenditure	613		575	
	(Surplus)/deficit		307		124
<u>Schools Traded Services:</u>					
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	751		517	
	(Surplus)/deficit		(63)		(149)
<u>Silsoe Horticultural Centre:</u>					
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	259		221	
	(Surplus)/deficit		223		191
<u>Ludun Sheltered Placement:</u>					
A supported workshop involved with wood machinery, wood treatment and picture framing.	Turnover	(220)		(64)	
Cumulative spend over 3 years: £1,263k	Expenditure	674		73	
	(Surplus)/deficit		454		9
Net (surplus) / deficit on trading operations			**(451)**		**(1,784)**

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
Net surplus credited to Other Operating Expenditure	**(451)**	**(1,784)**

[10] 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:

Bedfordshire Community Equipment Service:	2010/11		2011/12	
	£'000	£'000	£'000	£'000
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
Net (surplus)/deficit arising on the pooled budget during the year		**0**		**0**
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:

	2010/11	2011/12
	£'000	£'000
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
Total	**1,368**	**1,258**

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:

	Salary, Fees & Allowances £	Expenses allowances £	Compens-ation for loss of office	Total Remuneration excluding Pension Contributions	Pensions contributions £	Total £
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
TOTAL 2011/12	**866,509**	**6,450**	**88,060**	**961,020**	**188,683**	**1,149,703**
TOTAL 2010/11	**904,303**	**7,998**	**0**	**912,301**	**195,969**	**1,108,270**

John Unsworth was the S151 officer from 14th February 2011 until 30th 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 1st April 2011 to 30th June 2011 was £57k, which comprised fees for John Unsworth and a margin for the interim management company.

Deb Clarke has been the Interim Assistant Chief Executive officer from 1st August 2011, prior to which she held another role in the Council. She is not an employee of the Council but provided services under an interim management contract. The cost to the Council from 1st April 2011 to 31st July 2011 was £60k and from 1st August 2011 to 31st March 2012 was £119k, comprising of fees for Deb Clarke 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:

	2010/11 Number of permanent employees	2011/12 Number of permanent employees	2010/11 Number of temporary employees and interim managers	2011/12 Number of temporary employees and interim managers
£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
Total	**263**	**199**	**32**	**41**

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	5	0	0	2	5	157	333
£80k-£100k	0	1	0	0	0	1	0	88
£100k-£150k	1	1	0	0	1	1	111	114
Total	**90**	**206**	**0**	**0**	**90**	**206**	**1,547**	**2,943**

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	**(30)**	**(25)**
Total	**403**	**368**

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:

Schools budgets funded from DSG:	Central Expenditure £'000	Individual Schools Budgets £'000	£'000
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
Carry forward to 2012/13	**945**	**(162)**	**1,849**
Reserves:			
Brought forward from 2010/11			1,066
Spend in 2011/12			(166)
Balance			900
Increase from DSG under spend			949
Balance at year end 2011/12			**1,849**
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:

Credited to taxation and non specific grant income:		2010/11 £'000		2011/12 £'000
* Council Tax		(134,646)		(136,659)
* NNDR		(44,284)		(38,638)
* RSG and non-ring fenced govt grants		(18,087)		(15,145)
* Recognised capital grants and contributions				
- 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)	
Total		(24,440)		(42,111)
* Non-service related Government grants		0		0
Total		**(221,457)**		**(232,553)**

Credited to services:	2010/11 £'000	2011/12 £'000
* 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)
Total	**(282,106)**	**(265,243)**

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:

	2010/11 £'000	2011/12 £'000
Capital Grants receipts in advance:		
* 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
Total	**(41,273)**	**(54,766)**
Donated assets account:	0	0
Total	**0**	**0**

Note 39) Related Parties

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

UK 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 is provided below. Material financial transactions for this purpose are defined as those over £1m. If however the transactions are below £1m, but significant in relation to the total income and expenditure of the Related Party, they have been included within this disclosure.

Cllr	**Organisation**	**Relationship**	**2011/12 Income to the Council**	**2011/12 Expenditure by the Council**
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) <u>Capital Expenditure and Capital Financing</u>

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:

	2010/11 £'000	2011/12 £'000
Opening capital financing requirement	**211,473**	**200,516**
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	(21,013)	(41,808)
* Major Repairs Allowance	(3,709)	(3,805)
Sums set aside from revenue:		
* Direct revenue contributions	(1,502)	(1,288)
* Minimum Revenue Provision / loans fund principal	(7,025)	(5,534)
Other movements	(227)	(2,778)
Closing Capital Financing Requirement	**200,516**	**371,280**
Explanation of movement in year:		
* Increase in underlying need to borrow (supported)	(2,530)	0
* Increase in underlying need to borrow (unsupported)	(9,549)	5,769
* Borrowing to support HRA self financing	0	164,995
* Assets acquired under finance leases	1,121	0
* Assets acquired under PFI contracts	0	0
Increase/(decrease) in Capital Financing Requirement	**(10,958)**	**170,764**

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:

	2010/11 £'000	2011/12 £'000
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment:		
* Fleet vehicles	37	17
* Multi-functional devices	1,121	897
Total	**1,158**	**914**

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:

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

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

	Minimum Lease Payments	Finance lease Liabilities	Minimum Lease Payments	Finance lease Liabilities
	2010/11		2011/12	
	£'000	£'000	£'000	£'000
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
Total	**(1,165)**	**(966)**	**(864)**	**(741)**

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:

	2010/11 £'000	2011/12 £'000
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
Total	**2,497**	**1,575**

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

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

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:

	2010/11	2011/12
	£'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
Total	**5,085**	**4,347**

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:

	Payment for service	Reimburse-ment of capital expenditure	Interest	Total
	£'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
Total	**64,695**	**18,005**	**41,061**	**123,761**

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:

	2010/11 £'000	2011/12 £'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
Balance outstanding at year end	**18,453**	**18,005**

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:

	2010/11 £'000	2011/12 £'000
Cost of services:	Re-stated	
* Current service costs	14,696	12,433
* Past service costs	(62,767)	145
* Settlements and curtailments	324	(4,570)
Financing and Investment Income and expenditure:		
* 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
Other Post-employment benefits charged to Comprehensive Income and Expenditure Statement:		
* Actuarial gains / (loss)	73,200	(55,218)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	36,717	(39,369)
Movement in Reserves Statement:		
* Reversal of net charge to (surplus) / deficit for the provision of services for post employment benefits in accordance with code	(36,483)	15,849
Actual amount charged against the General Fund balance for pensions in the year:		
* 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):

	Funded & Unfunded liabilities	
	2010/11 £'000	2011/12 £'000
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)
Closing balance at 31st March	**533,503**	**581,834**

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

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

Reconciliation of fair value of the scheme assets:

		Funded & Unfunded
	2010/11	2011/12
	£'000	£'000
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)
Closing balance at 31st March	**336,223**	**332,216**

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:

	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
* 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
Surplus/(deficit) in the scheme:					
* Funded & Unfunded	0	0	(326,355)	(197,282)	(249,620)
Total	**0**	**0**	**352,121**	**336,223**	**332,216**

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:

	Funded & Unfunded	
	2010/11	2011/12
Long term expected rate of return on assets in the scheme:		
* 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%
Mortality assumptions:		
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:

	2010/11	2011/12
	%	%
* Equity investments	54.0	49.0
* Bonds	23.0	24.0
* Property	9.0	9.0
* Cash	14.0	18.0
* Other	0	0
	100%	**100%**

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:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
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
- 2 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:

Instrument	Country/ Domicile	Counterparty	Maximum Counter-party Limits %/£m
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 /Luxem-bourg 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 /Luxem-bourg 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.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
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:

31/03/2012	Amount at 31 March £'000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31st March % C	Estimate max exposure to default and uncollect-ability at 31st March £'000 (A*C)	Estimate max exposure as 31st March £'000
Bonds	22,542	0.0%	0.00%	0	0
Customers	17,877	0.6%	0.75%	134	134
Total	**40,419**	**-**	**-**	**134**	**134**

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 £17.9m customer balances is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	2010/11 £'000	2011/12 £'000
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
Total	**12,463**	**17,877**

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:

	2010/11	2011/12
	£'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
Total	**156,237**	**320,586**

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
Impact on Surplus or Deficit on the Provision of Services	**336**
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:

2011/12	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
LW Williams fund 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
Adult Social Care Customer fund 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
LuDun fund 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)
Total	**(29)**	**17**	**173**	**(10)**

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

HOUSING REVENUE ACCOUNT (HRA) - INCOME AND EXPENDITURE STATEMENT

2010/11 £'000		Note	2011/12 £'000	2011/12 £'000
	Expenditure			
4,887	Repairs and Maintenance		4,224	
4,940	Supervision and Management		5,039	
152	Rents, Rates, Taxes and Other Charges		158	
8,653	HRA Subsidy Payable	8	9,893	
44,603	Depreciation and Impairment of non-current assets	7	(6,955)	
79	Debt management costs		80	
25	Movement in the allowance for bad debts		123	
0	HRA self financing 2011/12 payment to the Secretary of State		164,995	
63,340				177,557
	Income			
(20,836)	Dwelling Rents (Gross)		(22,610)	
(491)	Non Dwelling Rents (Gross)		(210)	
(823)	Charges for Services and Facilities		(805)	
(875)	Contributions towards Expenditure		(845)	
(23,024)				(24,470)
40,315	**Net Cost of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement**			**153,087**
105	HRA Services share of Corporate and Democratic Core			90
	HRA share of other amounts included in the whole Council Net Cost of Services but not allocated to specific Services			
(4,278)	IAS19 Past Service Cost			10
(4,173)				100
36,142	**Net Cost of HRA Services**			**153,187**
	HRA share of Operating Income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement			
(429)	(Gain) / Loss on Disposal of non-current assets			(547)
(199)	HRA interest and Investment Income			(186)
768	Pensions Interest Cost & Expected Return on Pensions Assets	10		519
140				(214)
36,282	**(Surplus) / Deficit for the Year on HRA services**			**152,974**

MOVEMENT ON THE HRA STATEMENT

2010/11 £'000		Note	2011/12 £'000	2011/12 £'000
4,224	HRA Balance at the end of the previous reporting period			3,742
(36,282)	Surplus / (Deficit) on HRA Income and expenditure Statement		(152,974)	
	Adjustments between accounting basis and funding basis under regulations			
41,579	Difference between any other item of Income and expenditure determined in accordance with Code and determined in accordance with statutory HRA requirements		(10,016)	
(429)	(Gains) / Loss on sale of HRA assets		(547)	
(3,830)	HRA share of contributions to / from the Pensions Reserve		112	
(835)	Capital expenditure funded by the HRA	4	(664)	
0	HRA self financing 2011/12 payment to the Secretary of State		164,995	
203	**Net Increase / (Decrease) before transfers to / from reserves**			**906**
	Transfers to / from reserves			
(684)	Transfer (to)/from the Major Repairs Reserve	3	(744)	
(684)				(744)
(482)	Increase / (Decrease) in year on the HRA			163
3,742	**HRA Balance at the end of the current reporting period**			**3,905**

HRA Note 1) Housing Stock

Property Type	Stock at 01/04/2011	Additions	Sales	Deleted / Demolished	Stock at 31/03/2012
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
Total	**5,205**	**2**	**(7)**	**(1)**	**5,199**

HRA Note 2) Balance Sheet Values of HRA Assets

Operational Assets	Value at 01/04/2011 £'000 Restated	Value at 31/03/2012 £'000
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
Total	**297,707**	**307,709**

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 1 April 2012 value was £571m (£571m in 1 April 2011).
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:

	2010/11 £'000	2011/12 £'000
Balance @ 1st 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
Balance @ 31st March	**(200)**	**(200)**

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:

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

HRA Note 5) Capital Receipts

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

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

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:

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

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:

	2010/11 £'000 Restated	2011/12 £'000
HRA assets- depreciation:		
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
HRA assets – impairment:		
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
Total	**44,603**	**(6,955)**

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:

	2010/11	2011/12
	£'000	£'000
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
Total	**(8,653)**	**(9,893)**

HRA Note 9) Rent Arrears

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

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.

	2010/11	2011/12
	£'000	£'000
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)
Net change to Income and expenditure account	**(2,596)**	**1,263**
Statement of movement in the HRA balance:		
Reversal of net charges made for retirement benefits	1,362	(2,415)
Employers contribution payable to the scheme (within expenditure)	**(1,234)**	**(1,152)**

THE COLLECTION FUND STATEMENT

2010/11 £'000		Note	2011/12 £'000	2011/12 £'000
	Income			
139,472	Income from Council Tax		141,654	
16,498	Council Tax Benefits transfers from General Fund		16,565	
(2)	Transitional relief		(3)	
69,214	Income collectable from business ratepayers	3	72,708	
225,183				230,923
	Expenditure			
	Precepts and Demands (in year)			
134,646	Central Bedfordshire Council	4	136,659	
13,783	Bedfordshire Police Authority	4	13,992	
7,849	Bedfordshire and Luton Combined Fire Authority	4	7,968	
156,279				158,619
	Business Rates:			
68,889	Payment to national pool		72,388	
325	Costs of collection		320	
69,214				72,708
	Bad and doubtful debts:			
287	Council Tax write-offs		288	
(196)	Increase / (reduction) in bad and doubtful debts provision - Council Tax		322	
91				610
199	Contribution's towards previous year's estimated Collection Fund surplus	5		(661)
225,783				231,276
(601)	**Movement on Fund Balance**			**(353)**
(913)	**Surplus / (Deficit) Balance Bought Forward**			**(1,514)**
(1,514)	**Surplus / (Deficit) Balance Carried Forward**	5		**(1,866)**

	Movement in year:			
(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)	
(402)	**Total in Year Surplus/(Deficit)**			**(1,014)**
(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
(601)	**Movement in year**			**(353)**

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:

Tax Band	Property by Band	Weighting Factor	Band D Equivalent
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
-	108,493	-	106,695
Less: other adjustments (discounts / appeals etc)			9,561
			97,134
Less: adjustment for collection rate (0.5%)			486
Tax Base 2011/12			96,649

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:

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

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:

		2010/11 £'000	2011/12 £'000
Balance 1st 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)
Balance 31st March		**(1,514)**	**(1,866)**
Allocated Between:			
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)
Balance 31st March		**(1,514)**	**(1,866)**

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 31st March 2012 and its income and expenditure for the year ended 31st 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 17th September 2012.

……………………………
David Bowater
Chair of the Audit Committee Dated:…………….

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

Opinion on the Authority financial statements

I have audited the financial statements of Central Bedfordshire Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Central Bedfordshire Council as at 31 March 2012 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Central Bedfordshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

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

September 2012

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.

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

2.1 The purpose of the Governance Framework

The governance framework is made up of the systems, processes, culture and values by which the authority directs and controls its activities and through which it accounts, engages with and leads the community. The framework enables the authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost effective services. The governance framework is described in the Code of Corporate Governance.
The system of internal control is a significant part of the corporate framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The system of internal control was in place for the duration of the financial year 2011/12 and has remained so until the date of the approval of the accounts.

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

2.2 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 has developed a new Medium Term Plan, which was formally adopted by the Council in June 2012.

2.3 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.

2.4 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 wit 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.

2.5 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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 [11]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.

2.13 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 Annual Audit Report for 2011/12

The Council's Head of Internal Audit submitted her opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 25 June 2012. The Head of Internal Audit reported that her opinion was that overall the Council's system internal control was adequate. In general the key controls in place were adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

However, there remain concerns within the Payroll systems resulting in a limited assurance opinion. Controls in this area need to be strengthened and recommendations that have been made to management will continue to be fully tracked by the Audit Committee during 2012/13 to provide assurance that the necessary improvements are being made. The payroll service was brought back in house from 1st April 2012. This resulted in a review of processes, which will continue during 2012/13.

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 Improvements have been noted in the reviewing and monitoring of control and suspense accounts and bank account reconciliations. However, further work needs to be undertaken to ensure that the Council's Financial Procedures are comprehensively documented and reviewed.

There was a significant turnover of senior finance staff during the year resulting in an inherent risk within the financial systems relating to capacity, experience and expertise. However, a permanent team has now been recruited which mitigates this risk.

Internal Audit has continued to track the implementation of high risk recommendations. This work has highlighted that an IT Disaster Recovery Plan has still to be finalised. Owing to a re-sequencing of activities to address urgent and immediate priorities, the full plan is now due to be completed by October 2012.

5.0 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.

The following strategic risks were added to the strategic risk register in 2011/12:

- **Growth:** Managing the delivery of planned growth targets;

- **Health & Safety:** a risk that Members and Officers will fail to recognise their responsibilities to comply fully with health and safety legislation;

- **Failure in competition process:** inappropriate contract arrangements which fail to deliver service requirements;

- **Data management:** a risk of failure to implement information governance arrangements;

- **Localism:** responding to the challenges of the Localism Act will require innovation in service delivery and greater exposure to risk.

Mitigating actions have been identified to manage each of these risks and these are recorded in the Corporate Risk Register.

6.0 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 10 September 2012

GLOSSARY

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

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local Council accounts. The end of the accounting period is the balance sheet date.
Accounting Statements	The Council's Core Financial Statements and Supplementary Financial Statements.
Accrual	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
Appointed Auditors	These are the external auditors appointed by the Audit Commission. They may be from the Audit Commission's own operations directorate or from a major accountancy firm. The Council's current approved auditors are from the Audit Commission's own operations directorate.
Approved Institutions	Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.
Asset	An item having value 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.
Audit of Accounts	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
Balance Sheet	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
Budget	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
BVACOP	Best Value Accounting Code of Practice. The system of local 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.
Billing Authority	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.
Budget	A budget is a financial statement that expresses a council's service delivery plans and capital programmes in monetary terms. This normally covers the same period as the financial year but increasingly councils are preparing medium-term budgets covering 3 to 5 years.
Capital Expenditure	Expenditure to acquire or enhance fixed assets that will be used in providing services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

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

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

Impairment This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value.

Income This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and investment interest.

Income and Expenditure Account An account which summarises resources generated and consumed in the provision of services for which the Council is responsible.

Infrastructure Assets Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways) and for which a useful life span cannot be readily assessed.

Intangible Assets These are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)
Full implementation of the use of International Accounting Standards under IFRS for Local Government Accounts was originally expected in 2009/10 but has now been deferred to 2010/11. The 2008 SORP incorporates recent changes to FRS17 – Accounting for Pension Costs, which bring it into line with IFRS by accounting for the fair value of some of the assets of the scheme and revising disclosure requirements. Other influences from International Accounting Standards such as reporting requirements and terminology used when accounting for financial instruments under UK GAAP were brought into use by the 2007 SORP.

Liability A liability arises when the Council owes money to others and it must be included in financial statements.

Long Term Investments These are investments intended to be held for use on a continuing basis in the activities of the authority. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.

Materiality This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

Minimum Revenue Provision The minimum amount which must be charged to the revenue account each year for the repayment of borrowing.

National Non-Domestic Rate (NNDR) A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.

Non-Operational Assets Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.

Operating Lease A lease whereby the ownership of the fixed asset remains with the lessor.

Operational Assets Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Post Balance Sheet Event These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue.

Precept — The levy made by Precepting authorities on billing authorities. The major precepting authorities are County Councils and Police Authorities. Parish Councils also raise money by means of a precept on the relevant billing authority.

Prior Period Adjustments — These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision — An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.

Prudence — This is one of the main accounting concepts. It ensures that an organisation only includes income in its accounts if it is sure it will receive the money.

Prudential Code — The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.

Rateable Value — The annual assumed rental value of a property that is used for business purposes.

Related Parties — Two or more parties are related parties when at any time during the financial period:-

- One party has direct or indirect control of the other party
- The parties are subject to common control from the same source
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests

Related Party Transactions — The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.

Reserves — The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.

Residual Value — This is the net realisable value of an asset at the end of its useful life.

Revaluation Reserve — An account containing any unrecognised gains or losses arising from the revaluation of fixed assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Income and Expenditure Account once all previous entries relating to unrecognised gains or losses have been removed from the accounts.

Revenue Expenditure — The day to day expenses associate with the provision of services.

Revenue Expenditure funded from Capital under Statute (formerly Deferred Charges)
Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed

assets. An example would be capital expenditure on improvement grants.

Revenue Support Grant A grant paid by the Government to councils, contributing towards the costs of their services.

Statement of the Movement on the General Fund / Housing Revenue Account Balance Reconciliation between the Income and Expenditure Account and the General Fund or Housing Revenue Account to show the effect of spending against Council Tax or Housing Rents raised.

Stocks and Work in Progress These comprise of one or more of the following categories: goods or other assets purchased for resale: consumable stores: raw materials and components purchased for incorporation into products for sale: products and services in intermediate stages of completion: long term contract balances and finished goods.

Supplementary Financial Statements Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.

Temporary Investment Money invested for a period of less than one year.

Trust Funds Funds administered by the Council for such purposes as prizes, charities and specific projects usually as a result of individual legacies and donations.

UK GAAP Accounting practices regarded as permissible the UK accounting profession that are grouped together under the term 'generally accepted accounting principles'.

Useful Life This is the period over which an organisation will derive benefits from the use of a fixed asset.

Work in Progress The value of works that has been completed or is partially complete at the end of the accounting period that should be included in the financial statements.

CONTACT DETAILS

Contact us…

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

For the attention of:

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

by telephone: 0300 300 6154 or 5106 (c/o Nisar Visram, Financial Controller)

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

For general enquiries of the Council please contact:

Phone: 0300 300 8000

Email: customer.services@centralbedfordshire.gov.uk

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

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

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Appendix B

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

Your ref:
Our ref:
Date: 24 September 2012

Dear Paul

Central Bedfordshire Council – Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Central Bedfordshire Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012. All representations cover the Council's accounts included within the financial statements.

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

Uncorrected misstatements
The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

(i) Capital Grant Income
This misstatement will not be corrected in the accounts due to the immaterial nature of the item.

Appendix B

(ii) Note 7 – Other Adjustments

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

Supporting Records

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

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error. I also confirm that I have disclosed:

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

Law, regulations, contractual arrangements and codes of practice

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

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

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

Accounting estimates including fair values

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

Specific representations (as included last year)

There are no material onerous contracts that should be provided for under IAS37 other than those which have been properly recorded and disclosed in the financial statements.

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

Appendix B

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

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

I confirm that this letter has been discussed and agreed by the Council's Audit Committee on 24 September 2012.

Signed on behalf of Central Bedfordshire Council

Signed

Name	C P Warboys
Position	Chief Finance Officer (s.151)
Date	
Telephone	0300 300 8000
Email	Charles.Warboys@centralbedfordshire.gov.uk

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Meeting:	**Audit Committee**
Date:	**24 September 2012**
Subject:	**Internal Audit Progress Report**
Report of:	**Chief Finance Officer**
Summary:	This report provides a progress update on the status of Internal Audit work for 2012/13.

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.

RECOMMENDATIONS:

The Committee is asked to:

1. Consider and comment on the contents of the report.

2. Approve the revisions to the Audit Plan.

Background

10. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of financial and other management controls.

11. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.

12. The Audit Committee approved the 2012/13 Audit Plan in April 2012. This report provides an update on progress made against the plan up to the end of August 2012.

Updated Audit Plan

13. Internal Audit has reviewed the audit plan following discussions with senior officers and some minor changes have been made to the plan that was approved by the Audit Committee in April. The planned review of the Carbon Reduction Commitment has been deferred to next year, as a result of an extended consultation over the future of the scheme. It has been greed with the Assistant Director – Growth, Skills and Regeneration that some of the resulting capacity will be utilised to undertake a follow up review of the Leighton Buzzard Theatre, and further consideration is currently being given to how the remaining balance will be allocated.

14. The Internal Audit work programme for IT audits is currently being reviewed in consultation with the Head of ICT and the Project Director in the light of the IT Health Check recently undertaken by PWC.

15. Internal Audit will continue to review and reassess risks and will bring any further revisions to the Audit Committee for approval.

Progress on the 2012/13 Internal Audit Plan

Managed Audits

16. The 2011/12 Managed Audit reviews have now been finalised. Some draft Phase 2 opinions were reported to the June Audit Committee. The final audit opinions are set out in Appendix A.

17. Internal Audit is currently scoping and agreeing briefs for the 2012/13 managed audits and work has commenced on updating the systems documentation.

18. As in previous years, the work on managed audits will be undertaken in two phases;
Phase 1 – This will include the follow up of recommendations made in the 2011/12 reviews, systems documentation and walkthrough testing to confirm the system, and substantive testing of transactions covering the period April – October.
Phase 2 – This will include substantive testing covering the period November – March.
Where previous audit reviews have resulted in adequate assurance opinion and where there are no significant system changes the level of detailed audit testing will be rationalised accordingly.

19. The SAP Optimisation Project will result in some revisions to processes and controls. This will particularly affect the Payroll system. Audit work will consider both the current processes and revised processes in order to provide assurance across the whole year.

20. The findings of completed Phase 1 reviews will be reported to the January Audit Committee.

. **Other Audit Work**

21. In addition to work on managed audits, work has been finalised on the following reviews:
Budget Management (Adequate Assurance)
Contract Management (Limited Assurance)
Linsell House (Adequate Assurance)
Section 106 Follow Up (Satisfactory Progress).

22. Internal Audit has been engaged in several projects, including SAP Optimisation, in order to provide advice and guidance on the control environment during project implementation.

23. A number of other reviews are currently progressing, and these are also shown within Appendix A. A number of these reviews are substantially completed and the outcome will be reported to a future committee.

National Fraud Initiative (NFI)

24. We continue to complete work around the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes and then investigating any of the positive matches.

25. Work has commenced on the 2012/13 data exercise. Arrangements have been made to ensure Fair Processing Notices are in place. Data sets will be extracted in October 2012 and submitted via the secure web application. It is anticipated that the 2012/13 matches will be available for review from the end of January 2013.

Fraud and Special Investigations

26. No investigations have been concluded since the last Committee. There are two investigations ongoing.

27 The National Fraud Authority (NFA) has recently launched a Fighting Fraud Locally campaign, aimed at improving the prevention, detection and recovery of losses in relation to public sector fraud. Internal Audit has been reviewing the document in order to inform future work on both raising fraud awareness and future pro active audit work.

Schools

28. The rolling programme of school audit visits has continued. To date this year 6 school reports have been finalised in relation to site visits undertaken during 2011/12 and 1 report has been finalised in respect of a 2012/13 visit.

29. Work is also in progress in revising the school audit programme, to ensure that the work programme reflects risks to the authority arising from recent changes in the delivery of support to schools.

Public Sector Internal Audit Standards

30. Organisations in the UK public sector are currently governed by different internal audit standards. For example, there are slightly differing standards for central government, the health sector, the higher education sector and charities. As organisations work more closely together in formal partnerships and informal arrangements the lack of consistency has become apparent.

31. The Relevant Internal Audit Standard Setters (of which CIPFA is a member) have issued a common set of Public Sector Internal Audit Standards that are due to be adopted with effect from 1st April 2013. These standards are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework, and will apply to all internal audit service providers. The standards will replace the current Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

32. Internal Audit is currently reviewing the revised standards and will reflect any revised requirements within the Internal Audit Charter and Strategy for next year.

Performance Management

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

34.. **Activities for 1 April 2012 – 30 August 2012**

KPI	**Definition**	**Current Year**		**Previous Year**		**Annual target**
		Actual	Target	Actual	Target	
KPI01	Percentage of total audit days completed.	22%	35%	33%	35%	80%
KPI02	Percentage of the number of planned reviews completed.	23%	30%	26%	30%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	56%	80%	62%	80%	80%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	87%	80%	53%	80%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	100%	80%	100%	80%	80%
KPI06	Overall customer satisfaction.	n/a	80%	86%	80%	80%

35. Analysis of indicators:

KPI01 – As at the end of August Internal Audit has delivered a total of 289 productive audit days against a total of 1,300 planned days for the year. This is below the target of 35% This reflects staff secondments, which has also impacted on other KPIs. The secondments have had an impact on the timing of the delivery of the audit plan. The secondments have now been concluded and work is progressing on delivering the outstanding audits. Although this has impacted on the timing of the audit reviews, it is anticipated that overall the target of 80% delivery of the plan will be achieved by the year end.

KPI02 – This KPI measures final reports issued to date. 23% of the planned reviews have been completed to final report stage along with milestones reached for Managed Audit work. This is slightly below target, and reflects the delays in commencing some audits as a result of staff secondments .

KPI03 – 56% of planned reviews have been completed within the planned time budgets. This is below target. In some instances the planned reviews have only just exceeded the budget. Action continues to be taken to monitor audit work closely in order to continue to improve performance against this indicator.

KPI04 – This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. As at the end of August 87% of draft reports were responded to within the target set. This represents a significant improvement over last year, and demonstrates that a prompt response was received to the majority of the draft Phase 2 managed audit reports issued.

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

KPI06 – Due to staff secondments there has been a delay in sending out questionnaires. Internal Audit are currently awaiting responses to the questionnaires sent out recently.

Conclusion and Next Steps

36. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council. Although staff secondments have had an impact on the team's output during the early months of the year, due to a delay in the timing of the reviews, the secondments have now concluded and work is progressing on the delivery of the agreed plan by the year end.

37. An update on audit progress will be presented to the next Audit Committee.

Appendices: Appendix A – Progress on Audit Activity

Background Papers: None

Location of papers: N/A

Appendix A

2011/12 Internal Audit Plan
Summary of Progress as at end August 2012.

Audit Title	**2012/13**	**Position as at end August 2012**	**Opinion**
	Days		
Managed Audits (Key Financial Systems)			
Accounts Payable/Purchase Ledger	30	Field work commenced.	
Accounts Receivable/Sales Ledger	30	Field work commenced.	
Asset Management (incl. Asset Register)/Capital Accounting	30	Not yet started	
Council Tax	40	Field work commenced.	
Housing Benefits	45	Not yet started	
Main Accounting Systems (MAS)	25	Not yet started	
National Non Domestic Rates NNDR	40	Field work commenced.	
Payroll	35	Not yet started	
SWIFT Financials	15	Scoping in progress	
Framework i (Childrens Services Case Management System)	15	Scoping in progress	
Treasury Management	25	Not yet started	
Housing Rents	25	Not yet started	
Cash And Banking (Income)	20	Not yet started	
Assurance Audits - Corporate Services			
Partnership Agreements and Joint Working	20	Scoping in progress	
Performance Management (i.e. Data Quality Management & BVPIs)	20	Not yet started	
Major Projects	20	Ongoing support provided to SAP optimisation Project	
Assurance Audits - Childrens' Services			
Safeguarding Vulnerable Children	20	Not yet started	
Commissioning/Out of County	20	Draft report issued.	
Schools General - School Improvement	120	To date in 2012-13, 7 reports have been finalised and another 3 issued at draft stage.	
Assurance Audits - Social Care, Health and Housing			
Personalisation/individual Budgets	20	Not yet started	
Commissioning/Contracting	20	Work in progress	
Local Management of establishments (including Day Centres)	20	Scoping in progress	
Financial Management	20	Deferred to Q4.	
Assurance Audits - Sustainable Communities			
Carbon Reduction Commitment (Sustainability)	15	Deferred to 2013/14	
Assurance Audits - Governance			
Ethical Governance	5	Not yet started	
Assurance Audits - Contracts and Partnerships			
Service Level Agreements	15	In progress	
Contracts Management	20	Not yet started	
Assurance Audits - ICT			
Information Security (hosted services)	10	Not required. Work programme for IT audits currently under review.	
SAP Access & Authorisations	15	Not started	
Information Governance	10	Not started	
SAP Access and Security (incl IT DR)	15	Not started	

Appendix A

2011/12 Internal Audit Plan
Summary of Progress as at end August 2012.

Audit Title	2012/13	Position as at end August 2012	Opinion
	Days		
Special Investigations			
National Fraud Initiative (NFI)	40	Ongoing.	
Special Investigations	80	Ongoing.	
Pro Active Anti Fraud	20	Work in progress	
Ad Hoc Consultancy etc.			
Annual Governance Statement	5	Work concluded on 11/12 statement.	
Audit of Individual Grants	40	Ongoing. Work in progress on 4 grant claims.	
General Advice	20	Ongoing	n/a
Contingency	92		
Professional Groups	12	On going	n/a
Head of Audit Chargeable Against Plan	58	Ongoing	n/a
Risk Management Activities	18	Ongoing	n/a
Benchmarking Exercise	5	Completed	n/a
Completion of reviews in progress as at 31st March:	130		
Accounts Payable 2011-12 Phase 2		Final report issued	Adequate
Accounts Receivable 2011-12 Phase 2		Final report issued	Adequate
Asset Management 2011-12 Phase 2		Final report issued	Adequate
Cash and Banking 2011-12 Phase 2		Final report issued	Full
Council Tax 2011-12 Phase 2		Final report issued	Adequate
Housing and Council Tax Benefits 2011-12 Phase 2		Final report issued	Adequate
Housing Rents 2011-12 Phase 2		Final report issued	Adequate
Main Accounting System 2011-12 Phase 2		Final report issued	Adequate
NNDR 2011-12 Phase 2		Final report issued	Adequate
Payroll 2011-12 Phase 2		Final report issued	Limited
SAP Access and Security 2011-12		Work in progress	
SWIFT Financials 2011-12		Final report issued	Limited
IT Disaster Recovery 2011-12		Final report issued	Limited
Budget Management		Final report issued	Adequate
Assurance on Client Charging		Report to be drafted	
Local Mgmt of Establishments: Domicillary Care Units		Scoping in progress	
Contract Management		Final report issued	Limited
Proactive Fraud: Appendix E Payments		Report to be drafted	
Derwent Lower School		Final report issued	Limited
Downside Lower School		Final report issued	Limited
Ivel Valley School		Final report issued	Adequate
Kensworth Lower School		Final report issued	Adequate
Linslade Lower School		Final report issued	Adequate
Oakbank School		Final report issued	Limited
Linsell House		Final report issued	Adequate
Section 106 Follow Up		Final report issued	
TOTAL CHARGEABLE DAYS REQUIRED	**1300**		

Meeting: **Audit Committee**

Date: **24 September 2012**

Subject: **Risk Update Report**

Report of: **Chief Finance Officer**

Summary: The purpose of this report is to give an overview of the Council's risk position as at August 2012.

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

CORPORATE IMPLICATIONS

Council Priorities:

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

Financial:

1. None directly from this report.

Legal:

2. There are no direct legal implications.

Risk Management:

3. The specific strategic risks are as set out in the report below. The Audit Committee has, in its terms of reference, the responsibility to monitor the operation of risk management within the Council and to provide independent assurance on the adequacy of the risk management framework.

Staffing (including Trades Unions):

4. There are no direct staffing issues.

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 contents of the report.

Background

10. The Audit Committee in its terms of reference has the responsibility to approve the Risk Management Policy Statement, and monitor the operation thereof. At its meeting in April 2012 the Audit Committee agreed and endorsed the Council's 2012/13 Risk Management Strategy. In order to meet the responsibility of monitoring the operation of the Risk Management Policy Statement the Committee requested a regular report.

11. The purpose of this report is to give an overview of the Council's risk position as at August 2012.

Strategic Risks

12. The Strategic Risk register has been reviewed and updated in consultation with the Directorate Risk Co-ordinators.

13. The August risk report is contained at Appendix A. The report contains 16 strategic risks.

14. There are 12 strategic risks with a residual risk score of 9 or more. A score of 9 or more generally represents an unacceptable risk exposure, with further mitigation required.

15. The risks have been reconsidered. In most cases the risk scores have not changed and most of the revisions relate to either the description of the risk, or updating the mitigating actions. The key revisions are set out below.

16. The Adult Social Care risk (STR0002) has been reconsidered in the light of the recent positive review by the Towards Excellence Board. The residual impact score has been reassessed as 4 and the residual likelihood revised to 2, giving a total residual score of 8. The previous residual score was 15.

17. The wording of the Growth Strategic risk (STR0003) has been updated to reflect the end of the public consultation on the draft Development Strategy for Central Bedfordshire and the plans for the Executive to consider the Development Strategy in November 2012 prior to consideration by Council and publication and subsequent Submission to the Secretary of State.

18. The Waste Strategic risk (STR0005) has been updated to reflect the current position with regard to the BEaR Project procurement process and also the waste contracts that are currently out to tender. The impact on householders has been identified as an additional consequence of delivering the Waste agenda.

19. The description of the Health and Safety Strategic risk (STR0006) has been revised and the mitigating actions updated.

20. The Procurement risk (STR0007) has been reconsidered and reworded to highlight the risk of failing to establish contracts where required and the subsequent risk of failing to adequately manage contracts. The consequences and current mitigating actions have also been reviewed. Further planned action has also been identified.

21. The Partnership risk (STR0009) has been updated by the Head of Partnerships and Community Engagement to reflect the fact that a robust performance management framework is now in place and that a comprehensive partnership mapping exercise is being undertaken.

22. The mitigating actions for the Protecting Children risk (STR0010) have been updated to reflect the development of a multi agency short, medium and long term action plan for continued improvement. The risk has also been revised to reflect the Munro Review, Adoption Reforms, and the Special Education Needs (SEN) review.

23. The Community Right to Challenge could have a significant impact on the Council’s procurement processes and the description of the Localism Strategic risk (STR0015) has been updated to reflect this. The mitigating actions now reflect the current work that is being undertaken to update the contracts register and the list of services provided, and also the publishing of the Council’s procurement processes.

24. The Project Management Strategic risk (STR0018) has been updated to reflect CMT’s agreement to the scope of the work to be undertaken in this area.

25. The CMT discussion on 6th June identified that health and wellbeing beyond the Public Health Transition should be added to the risk registers. The wording of this risk has been developed following discussions with the Director of Social Care, Health and Housing and the Health and Special Projects Coordinator (Children's Services), and the risk to the Health and Social Care System and local residents brought about by significant changes in the National Health System has now been added to the register (STR0019).The inherent risk has been assessed as 20 and the residual risk score is 15.

26. There are no revisions to the remaining strategic risks.

27. The risk with the highest residual exposure remains as STR0016 – ICT – SAN Replication Environment Disconnects. The residual score is 16.

28. A new strategic risk on Protecting Vulnerable Adults is to be developed in line with the next CMT/Audit Committee reporting cycle.

OPERATIONAL RISKS:

29. The risk report also highlights the key operational risks facing the Council. These have been drawn directly from Directorate risk registers as uploaded onto the JCAD risk management system.

30. The dashboard has listed the 11 operational risks with a risk score of 15 or above.

31. The highest rated operational risk continues to relate to the potential loss of revenue/income generation within the Assets Disposals Programme. (RES060008). One risk appears in the Top Operational Risk tracker for the first time. This relates to the risk of the failure of key suppliers. RES020009). The residual risk has been assessed as 15.

32. Work is planned to further develop the People and Organisation operational risk registers.

Conclusion and Next Steps

33. Internal Audit and Risk will continue to coordinate and update the Strategic Risk register and an update will be presented to the next Audit Committee.

Appendices:

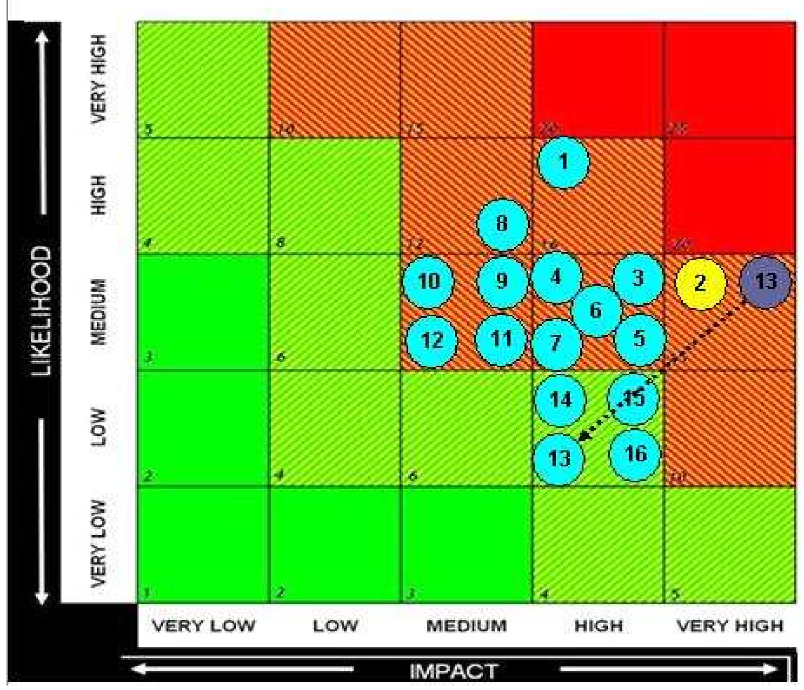
Appendix A –August Risk Summary Dashboard

Background Papers: (open to public inspection)

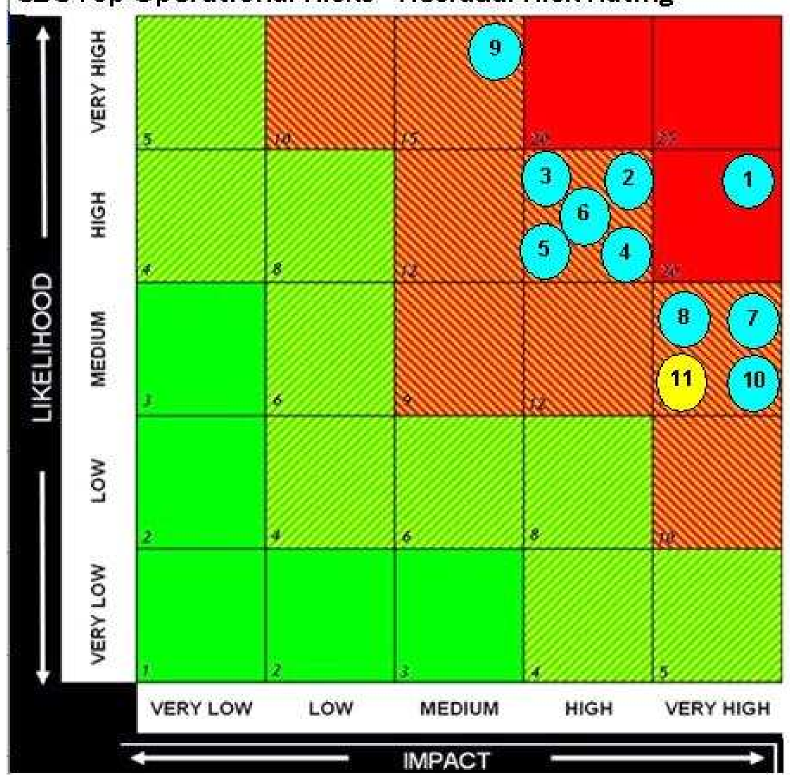
None

Location of papers: N/A

CBC Strategic Risk Register Matrix - Residual Risk Rating



CBC Top Operational Risks - Residual Risk Rating



Key

#	Reference	Nature of Risk
1	STR0016	SAN (Storage Area Network) replication environment disconnects.
2	STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.
3	STR0001	Budget Control Failure: financial pressures due to cuts to Central Government and CBC identifying savings.
4	STR0003	Growth: managing the delivery of planned growth targets.
5	STR0006	Health & Safety: a risk that failure of Members, managers and employees to recognise their responsibilities to fully comply with health and safety legislation.
6	STR0007	Failure in competition process: inappropriate contract arrangements which fail to deliver service requirements.
7	STR0013	Data Management: a risk of failure to implement information governance arrangements.
8	STR0018	Lack of robust project assurance and robust management arrangements for commissioned projects.
9	STR0005	The implications of failing to act on the waste agenda.
10	STR0008	Systematic failure of ICT applications.
11	STR0010	A failure to improve service provision within Children's Services or a failure to implement new child protection procedures, update guidance and share good practice.
12	STR0015	Localism: responding to the challenges of the Localism Act will require innovation in service delivery and a greater exposure to risk.
13	STR0002	Failure to improve Adult Social Care performance and failure to improve safeguarding practice.
14	STR0009	Failure of partnerships as a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.
15	STR0011	Shared Services: a risk that the planned benefits of shared services do not materialise.
16	STR0017	Failure to effectively manage the transfer of responsibilities for Public Health Services to the Council.

Strategic Risk Tracker

Reference	Nature of Risk		2011/12				2012/13			
		Feb	June	Aug	Nov	Mar	June	Aug	Nov	Aug
STR0016	SAN (Storage Area Network) replication environment disconnects.					16	16	16		
STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.							15		
STR0001	Budget Control Failure: financial pressures due to cuts to Central Government and CBC identifying savings.	20	16	16	16	12	12	12		
STR0003	Growth: managing the delivery of planned growth targets.	12	12	12	12	12	12	12		
STR0006	Health & Safety: a risk that failure of Members, managers and employees to recognise their responsibilities to fully comply with health and safety legislation.	9	9	9	16	8	12	12		
STR0007	Failure in competition process: inappropriate contract arrangements which fail to deliver service requirements.	8	8	8	12	12	12	12		
STR0013	Data Management: a risk of failure to implement information governance arrangements.	6	6	6	6	12	12	12		
STR0018	Lack of robust project assurance and robust management arrangements for commissioned projects.						12	12		
STR0005	The implications of failing to act on the waste agenda.	12	9	9	9	9	9	9		
STR0008	Systematic failure of ICT applications.	8	8	9	9	9	9	9		
STR0010	A failure to improve service provision within Children's Services or a failure to implement new child protection procedures, update guidance and share good practice.	8	8	9	9	9	9	9		
STR0015	Localism: responding to the challenges of the Localism Act will require innovation in service delivery and a greater exposure to risk.					9	9	9		
STR0002	Failure to improve Adult Social Care performance and failure to improve safeguarding practice.	15	15	15	15	15	15	8		
STR0009	Failure of partnerships as a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.	8	8	8	8	8	8	8		
STR0011	Shared Services: a risk that the planned benefits of shared services do not materialise.	8	8	8	8	8	8	8		
STR0017	Failure to effectively manage the transfer of responsibilities for Public Health Services to the Council.						8	8		

Key

#	Reference	Nature of Risk
1	RES060008	Loss of revenue/income generation affecting the Asset Disposals Programme i.e. cautious buyers, prolonged completion periods, and a depressed market nationally .
2	SCH0004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.
3	SCH0007	Partnerships: failure to establish a common vision with health and the delivery of joint commissioning strategies.
4	SCH0008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.
5	SCH0005	Failure to develop a social care market to deliver positive outcomes and choices for people.
6	RES050009	Insufficient staff resources/capacity to deliver ICT services due to poor use of automation tools.
7	RES0018	Failure to meet legal requirements: Ability to respond to changes in legislation affecting finances i.e. NNDR, CT, public health.
8	RES020006	Insufficient capacity to deliver an effective procurement service.
9	RES030017	Failure to improve/management performance due to welfare reform - Revenues and Benefits.
10	RES020005	Failure to obtain value for money through inadequate compliance with procurement processes and procedures or deliberate avoidance/ fraudulent behaviours.
11	RES020009	Failure of key supplier as the company pulls out of agreement without prior notice or becomes insolvent and ceases trading.

Top Operational Risk Tracker

Reference	Nature of Risk		2011/12				2012/13			
		Feb	June	Aug	Nov	Mar	June	Aug	Nov	Aug
RES060008	Loss of revenue/income generation affecting the Asset Disposals Programme i.e. cautious buyers, prolonged completion periods, and a depressed market nationally .					20	20	20		
SCH0004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.				16	16	16	16		
SCH0007	Partnerships: failure to establish a common vision with health and the delivery of joint commissioning strategies.				16	16	16	16		
SCH0008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.				16	16	16	16		
SCH0005	Failure to develop a social care market to deliver positive outcomes and choices for people.					16	16	16		
RES050009	Insufficient staff resources/capacity to deliver ICT services due to poor use of automation tools.						16	16		
RES0018	Failure to meet legal requirements: Ability to respond to changes in legislation affecting finances i.e. NNDR, CT, public health.				15	15	15	15		
RES020006	Insufficient capacity to deliver an effective procurement service.				15	15	15	15		
RES030017	Failure to improve/manage performance due to Welfare Reform - Revenues and Benefits.				15	15	15	15		
RES020005	Failure to obtain value for money through inadequate compliance with procurement processes and procedures or deliberate avoidance/ fraudulent behaviours.					15	15	15		
RES020009	Failure of key supplier as the company pulls out of agreement without prior notice or becomes insolvent and ceases trading.							15		

Key

New Risk
Current Position
Previous Position

Assessing Impact

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

Assessing Likelihood

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

Overview of Risk Position - August 2012

The risk with the highest residual score is STR0016-SAN Replication Environment Disconnects.
The following risk has been rescored:
STR0002 - Adult Social Care (residual risk score)
Revisions to the decriptions or mitigating actions have been made for the follopwing risks:
STR0003 - Growth
STR0005 - Waste
STR0006 - Health and Safety
STR0007 - Procurement
STR0009- Partnerships
STR0010- Protecting Children
STR0015 - Localism
STR0018 - Project Management
An additional strategic risk has been added:
STR0019 - Health and Social Care System

The matrix above highlights the most noteworthy operational risks facing CBC. The highest operational risk relates to the potential loss of revenue/income generation within the Assets Disposal Programme (RES060008). One risk appears on the top operational risk tracker for the first time. This relates to the risk of failure of key suppliers. The residual risk has been assessed as 15.

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Meeting: **Audit Committee**

Date: **24 September 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.

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 August 2012. In order to distinguish between the more recent recommendations made during 2012/13 and older outstanding recommendations, the tracking has been presented as two tables – one summarising the reports issued prior to April 2012 and captured in previous monitoring reports to the Committee and the second table summarising reports containing high risk recommendations issued since the April 2012 Committee.

14. Appendix A provides detail of progress made to date in addressing high risk recommendations contained in reports issued prior to April 2012 and previously reported to the Committee.

15. Appendix C provides details of the 5 high risk recommendations 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. **Table 1 – Summary of outstanding recommendations made prior to April 2012**

Review	Number of Outstanding Recommendations
Main Accounting System 2009-10	1
Payroll 2009-10	1
Teachers Pensions'	1
SAP Access and Security (incl IT DTR) 2009/10	1
Main Accounting System 2011-12 Phase 1	1
IT Governance	0
Total	5

17. Appendix B sets out the reports issued since the April 2012 Audit Committee that contain further high risk recommendations. The table below provides a summary by Directorate.

18. **Table 2- Summary of Additional High Priority Recommendations Made Since April 2012 Audit Committee**

	Corporate Resources/ ACE People and Organisation	Children's Services	Sustainable Communities	Social Care Health and Housing	Total	%
No. of Reports containing high recs.	2	0	0	1	3	
Recs:						
Completed GREEN	4	0	0	0	4	67
Ongoing- On schedule for completion within timescales GREEN	0	0	0	0	0	0
No work started Within target GREEN	0	0	0	0	0	0
Ongoing with deadline missed AMBER	1	0	0	1	2	33
No work started Deadline missed RED	0	0	0	0	0	0
Total Recs.	5	0	0	1	6	100

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19. Appendix D provides the details of the 2 recommendations contained in Table 2 where implementation of the recommendation is running behind planned completion dates.

20. 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.

21. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the managed audit reviews.

Future Monitoring

22. 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

23. In total there are only 7 recommendations that are now amber (ongoing with deadline missed). Only 2 additional amber recommendations have been added since the last report to the Committee. The number of high priority recommendations being made has reduced, which reflects the embedding of controls within the key financial systems as the authority has developed.

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 - Reports issued prior to April 2012

Appendix B - Details of monitoring of High Priority Internal Audit recommendations- Reports issued since April 2012 Audit Committee

Appendix C - Details on those recommendations made prior to April 2012 that remain outstanding

Appendix D - Details on those recommendations made since April 2012 Audit Committee that remain outstanding

Background Papers:
None

Location of papers: N/A

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Details of Monitoring of High Risk Internal Audit recommendations as at End August 2012
Reports issued during 2011/12 and earlier

CORPORATE RESOURCES/ACE
PEOPLE AND ORGANISATION

Name	Date of Report	Original 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
Main Accounting System 2009-10	22/07/10	30/04/10	5	4	0	1	0	0	See R1
Payroll 2009-10	26/07/10	30/09/10	10	9	0	1	0	0	See R2
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
Main Accounting System 2011-12 Ph 1	09/01/12	31/01/12	1	0	0	1	0	0	See R5
IT Governance	02/06/11	31/07/11	4	4	0	0	0	0	
Total			**25**	**20**	**0**	**5**	**0**	**0**	

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Details of Monitoring of High Risk Internal Audit recommendations as at End August 2012
Reports issued during 2012/13

CORPORATE RESOURCES/ ACE
PEOPLE AND ORGANISATION

Name	Date of Report	Original 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
Contracts Management 2011-12	01/08/12	end Sept 2012	1	0	0	1	0	0	See R1
SWIFT Financials 2011-12	13/08/12	end June 2012	4	4	0	0	0	0	
Total			**5**	**4**	**0**	**1**	**0**	**0**	

SOCIAL CARE, HEALTH & HOUSING

Name	Date of Report	Original 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 Rents 2011-12 Phase 2	20/07/12	end April 2012	1	0	0	1	0	0	See R2
Total			**1**	**0**	**0**	**1**	**0**	**0**	

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Appendix C

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

<u>Corporate Resources/ACE People and Organisations</u>

Main Accounting System 2009/10

Recommendation R1 : The financial procedures for asset management, debt recovery, leasing, insurance and risk management should be documented if not already done so, published on the Intranet, and regularly reviewed and maintained on the Intranet thereafter.
Rationale for Recommendation: The Systems Documentation and Walkthrough Testing review 2009/10 identified that the financial procedures for asset management, debt recovery, leasing, insurance and risk management had not been documented and published on the intranet.
Target Dates: End August 2010. End July 2011 (revised) October 2011 (revised) March 2012 – publish omitted procedures on Intranet June 2012 (revised). September 2012 (revised) December 2012 (revised).
Current Position and Explanation for Slippage: 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. The reason for slippage is the additional time required in respect of the preparation of the annual statement of accounts. The revised target date is December 2012. By then the updated intranet version will be published with the known agreed changes.

Payroll 2009/10

Recommendation R2: It should be ensured that timesheets and travel claims are appropriately approved prior to payment.
Rationale for Recommendation: The authorised signatory list of managers is incomplete, which hinders the ability to check the authorisations on expenses and travel claims thoroughly.
Target Dates: August 2010. September 2011.(revised) March 2012.(revised) June 2012 (revised) End December 2012 (revised) End April 2013
Current Position and Explanation for Slippage: 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. a) Finance action - Review possibilities and timescales for the electronic approval system included in the SAP optimisation programme – *Completed.** b) Finance actions - Based on results of this review, determine if interim signature approval list will need to be reinstated – *Completed.** c) HR action - When an authorised signatory list is made available, this practice will be developed and maintained – *No longer relevant.** *It has been formally specified that the authorised signatory control will be integrated into SAP during the current SAP Optimisation project. It is intended to use standard functionality to align jobs to authorisation levels. An updated signatory list is currently being collated by finance to support this and this work is expected to continue over the next 6 months alongside looking at the functionality and how it would be applied within CBC. Solution to be implemented in line with the SAP Optimisation project which is April 2013.

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 (revised) 1 October 2011(revised) 30 September 2012 (revised) 31 March 2013
Current Position and Explanation for Slippage: The above recommendation is not now considered a practical way of meeting TP requirements due to the changing educational environment e.g. movement towards academies. It is recognised that there are some mitigating controls in place however following the decision to cease providing payroll services to schools, further work is now underway with external payroll providers for our maintained schools to implement a control mechanism to provide assurance that Teachers Pensions contributions have been accurately deducted and paid over. A proforma and associated details of this mechanism are being developed and will be embedded into service provider processes by March 2013.

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) October 2012 (revised)
Current Position and Explanation for Slippage: SunGuard, a third party provider, has been commissioned to put in place a robust Disaster Recovery Plan by October 2012.

Main Accounting System 2011/12 Phase 1

Recommendation R5: Bank Reconciliations should be carried out in accordance with CBC policies and procedures.
Rationale for Recommendation: There are 2 rationales: 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.

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.
Target Dates: 31st January 2012. 30th June 2012 (Revised) 31st December 2012 (Revised)
Current Position and Explanation for Slippage: 1) Implemented. 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. The post of Head of Financial Control has now been appointed to permanently and the quarterly reconciliations review will commence in Quarter 3. The revised target date therefore December 2012.

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Appendix D

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

Corporate Services

Contract Management

Recommendation R1: The suite of documents that constitute the Procurement rules and guidance should be fully reviewed, updated and reissued to incorporate the detailed findings of this report.
Rationale for Recommendation: The existing guidance relating to procurement and contract management needs to be updated and clarified, and reissued for the use by relevant officers in order to promote better management of contracts across the Council.
Target Dates: End September 2012 (revised) End November 2012
Current Position and Explanation for Slippage: Many of the guidance documents have been updated to reflect the audit findings, however further improvements are planned and will be reissued in the near future to coincide with other changes to roles and responsibilities in the Procurement team.

Social Care, Health & Housing

Housing Rents

Recommendation R2: Regular reconciliations of the Housing Rents system to SAP should be completed by Finance staff.
Rationale for Recommendation: There is a risk that SAP as a central financial record maybe inaccurate, and the use of SAP for budget monitoring purposes may be compromised.
Target Dates: 30th April 2012 (revised) 31st August 2012 (revised) 30th September 2012
Current Position and Explanation for Slippage: The Housing Rents system (QL) was reconciled to SAP at year end for 2011-12, however a regular reconciliation has yet to be embedded. Quarterly reconciliations are expected to be introduced from September 2012.

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