

## CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Monday, 24 June 2013

### PRESENT

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

Cllrs R D Berry  
D J Lawrence

Cllrs A Zerny

Apologies for Absence: Cllrs N B Costin  
Mrs D B Green

Substitutes: Cllrs Mrs J G Lawrence (In place of Mrs D B Green)

Members in Attendance: Cllrs P N Aldis  
P A Duckett  
Mrs S A Goodchild  
R W Johnstone  
M R Jones  
M A G Versallion

Officers in Attendance: Mr J Atkinson Head of Legal and Democratic Services  
Mr R Gould Head of Financial Control  
Mr L Manning Committee Services Officer  
Ms K Riches Head of Internal Audit and Risk  
Mr N Visram Financial Controller  
Mr C Warboys Chief Finance Officer

Others In Attendance: Mrs C O'Carroll Manager – Ernst & Young LLP  
Mr M West Director – Ernst & Young LLP

A/13/50 **Minutes**

### RESOLVED

**that the minutes of the meeting of the Audit Committee held on 8 April 2013 be confirmed and signed by the Chairman as a correct record.**

A/13/51 **Members' Interests**

None.

**A/13/52 Chairman's Announcements and Communications**

The Chairman advised the meeting that the aim of providing a presentation on the draft Statement of Accounts was to provide the greatest opportunity for consideration of this information by all Members of the Council.

**A/13/53 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/13/54 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/13/55 Central Bedfordshire Draft Statement of Accounts 2012/13**

The Committee received a presentation on the draft Statement of Accounts for 2012/13. Paper copies of the presentation were circulated to Members at the meeting.

A copy of the presentation is attached at Appendix A to these minutes.

The Chief Finance Officer reminded the meeting that the Council was no longer required to approve the draft Statement at its June meeting before the external audit took place. Instead, he now signed off the draft Statement for release to the Council's external auditors Ernst & Young LLP and the Committee would receive them for approval in September following their audit. He added that the draft Statement would be published on the Council's website later that day.

The Chief Finance Officer, Head of Financial Control and Financial Controller then took turns to introduce the presentation. In addition a supplement containing detailed information in the form of a movement in reserves statement, a comprehensive income and expenditure statement, balance sheet, cash flow statement and employee remuneration was circulated.

A copy of the supplement is attached at Appendix B to these minutes.

At the end of the presentation Members raised a number of questions covering such issues as the Council's reserves, the financial responsibility for Academies, senior officers' salary levels, interest rate levels on loans and Section 106 contributions.

In conclusion the Chairman, on behalf of the Committee and other Members present, thanked the officers for a very useful presentation.

**NOTED**

**the presentation on the draft Statement of Accounts for 2012/13.**

A/13/56

**Audit and Certification Fees 2013/14**

The Committee received a letter from Ernst & Young LLP confirming the 2013/14 audit and certification work that the external auditors proposed to undertake. The letter stated that the 2013/14 fees reflected the risk-based approach promoted by the Audit Commission for audit and certification work. The Ernst & Young manager present explained that, whilst the estimated fee for additional testing in response to queries raised by the Department for Work and Pensions on the 2011/12 claim had been £8,000, the actual figure had been slightly less than that.

The letter also stated that Ernst & Young would issue its 2013/14 audit plan for the audit of the financial statements, Whole of Government Accounts and proper arrangements in March 2014. This would detail the financial statement and value for money conclusion risks identified, planned audit procedures to respond to those risks, and any changes in fee. The Committee noted that should the external auditors need to make any significant amendments to the audit fee during the course of the audit the matter would first be raised with the Chief Finance Officer and, if necessary, a report would be submitted to the Audit Committee with reasons for the fee change.

**NOTED**

**the 2013/14 audit and certification fees letter from Ernst & Young LLP.**

A/13/57

**Audit Progress Report**

The Committee received the Audit Progress Report for the year ending 31 March 2013 from Ernst & Young LLP. The report, which was introduced by the Ernst & Young director present, provided an overview of the stage reached by Ernst & Young in planning the Council's 2012/13 audit and set out the work undertaken by the external auditor since its last report to Members in April 2013.

In addition a sector briefing document was attached to the report at Appendix 2. The document covered issues which might have an impact on the Council, the local government sector and the audits undertaken by Ernst & Young.

Following an introduction by the Ernst & Young manager present a Member referred to the item within the sector briefing document on 'Whole-place community budgets'. Discussion took place on the accuracy of the claims made for this method of funding with Members expressing concerns as to validity of the pilot findings and the extent, if any, of the claimed benefits. The

Chief Finance Officer advised of the impact on the distribution of funding arising from the assumption by government that savings would be achieved before funding was allocated.

**NOTED**

**the Audit Progress Report.**

A/13/58

**Annual Governance Statement**

The Committee considered a report by the Head of Legal and Democratic Services which sought Members' comments on the draft Annual Governance Statement for 2012/13. Members were aware that the Committee's terms of reference included responsibility for overseeing the production of the draft Statement.

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

The Head of Legal and Democratic Services advised that the draft document adopted the same format as that for the previous year and had already been considered by the Corporate Management Team (CMT). CMT had identified a number of significant governance issues that the Council had to manage during 2012/13. These were identified within section 5 of the draft Statement.

The Committee was asked to consider whether the draft Statement accurately reflected the governance arrangements and the management of risk.

**RESOLVED**

**that, subject to amending the end of the last paragraph of section 2.5 by adding the words 'and the Audit Committee', the draft Annual Governance Statement for 2012/13 be approved for submission to the Leader and Chief Executive to be formally signed off.**

A/13/59

**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 2012/13, 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.

Members noted that the Head of Internal Audit and Risk's opinion on the Council's System of Internal Control was that, overall, it continued to be adequate and that, in general, the key controls in place were adequate and effective to the extent that reasonable assurance could be placed on the operations of the Council's functions. She stressed that, in giving an audit opinion, assurance could never be absolute although Ernst & Young LLP, the Council's external auditors, had reviewed the work undertaken by Internal Audit on the managed audits, had been able to place reliance on the work and were in agreement with the opinions given.

The Head of Internal Audit and Risk worked through the remainder of her report drawing points of interest to Members' attention. In response Members sought clarification a small number of issues.

**NOTED**

**the Internal Audit Annual Audit Opinion report.**

A/13/60

**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. The report also outlined how the recommendations would be monitored and progress made in implementing them as at the end of May 2013.

The Head of Internal Audit and Risk reported that, since the last meeting of the Committee, high risk recommendations relating to the Main Accounting System and Teachers' Pensions had been addressed. Further, a full audit review of both areas was included within the 2013/14 Audit Plan.

**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 2013.**

**RESOLVED**

**that the Head of Internal Audit and Risk be congratulated on the progress made in implementing high risk recommendations.**

(Note: The meeting commenced at 1.30 p.m. and concluded at 3.11 p.m.)

Chairman .....

Dated .....

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# Statement of Accounts

## 2012/13

Charles Warboys, Chief Finance Officer

Ralph Gould, Head of Financial Control

Nisar Visram, Financial Controller

# Introduction

- The reason for this presentation:
  - 2011 Accounts and Audit Regulations – Council approval of draft statements in June no longer required
  - Chief Finance Officer to sign draft accounts in June, with Council (delegated to Audit Committee) approval in September
  - With the accounts well over 100 pages long, this presentation enables the key figures to be presented in a more user-friendly format
  - *This approach allowed more time to be spent on Quality Assurance.*



# Agenda

- Background and Overview – Ralph Gould
- Points of interest – Nisar Visram
- LGPS / Pensions Note 42 – Ralph Gould
- Conclusions and Next steps – Ralph Gould
- Any Questions

# Background

- First impressions – a big document – why ?
- Follows international private sector principles and policies – which have been driven by private sector scandals – response being increased disclosure and focus on assets and liabilities compared to Profit and Loss
- Trying to do at least two things at once – follow accounting practice AND statutory requirements (Council Tax, transparency etc) – putting things in the Income and Expenditure accounts e.g. depreciation and reversing out

# Background

- International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS)
- The above are interpreted for Local Government by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice - statutory best practice
- Accounting requirements are updated annually and are reflected in the Code. The Council also had new auditors for 2012/13 – Ernst & Young LLP.

# Accounts – Purpose

- Present a comprehensive picture of the financial health of the Council
- Encourage a focus on the assets and liabilities of the Council, not just on the bottom line.
- Show income and expenditure for the year, in a format which can be compared with other organisations
- Explain the main assets and liabilities of the Council
- Contain statutory disclosures, including those relating to Members interests, allowances and officer remuneration

# Overview of the document

- The Explanatory Foreword – not part of the Statements so not covered by audit opinion
- Main Statements – statutory requirement to follow best practice – ‘The Code’
  - Movement in Reserves
  - Comprehensive Income and Expenditure
  - Balance Sheet
  - Cash Flow
- Notes to the Accounts – 46 Notes, pages 22 - 88

# Overview of the document

- Supplementary Statements
  - HRA and Collection Fund
- Published with but NOT part of the Statements
  - Glossary
  - Annual Governance Statement

# A tour through the statements

## Handout

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash flow Statement

Employee Remuneration



## CBC Accounts - Surplus

- The Council made an overall Surplus of **£3.3m** in year. This increased General Reserves to 3.5% of Gross Expenditure.

	2011/12 (£m)	2012/13 (£m)
General Fund (GF) Balance	10.9	14.2
GF Reserves Earmarked for Specific Purpose	18.5	21.4

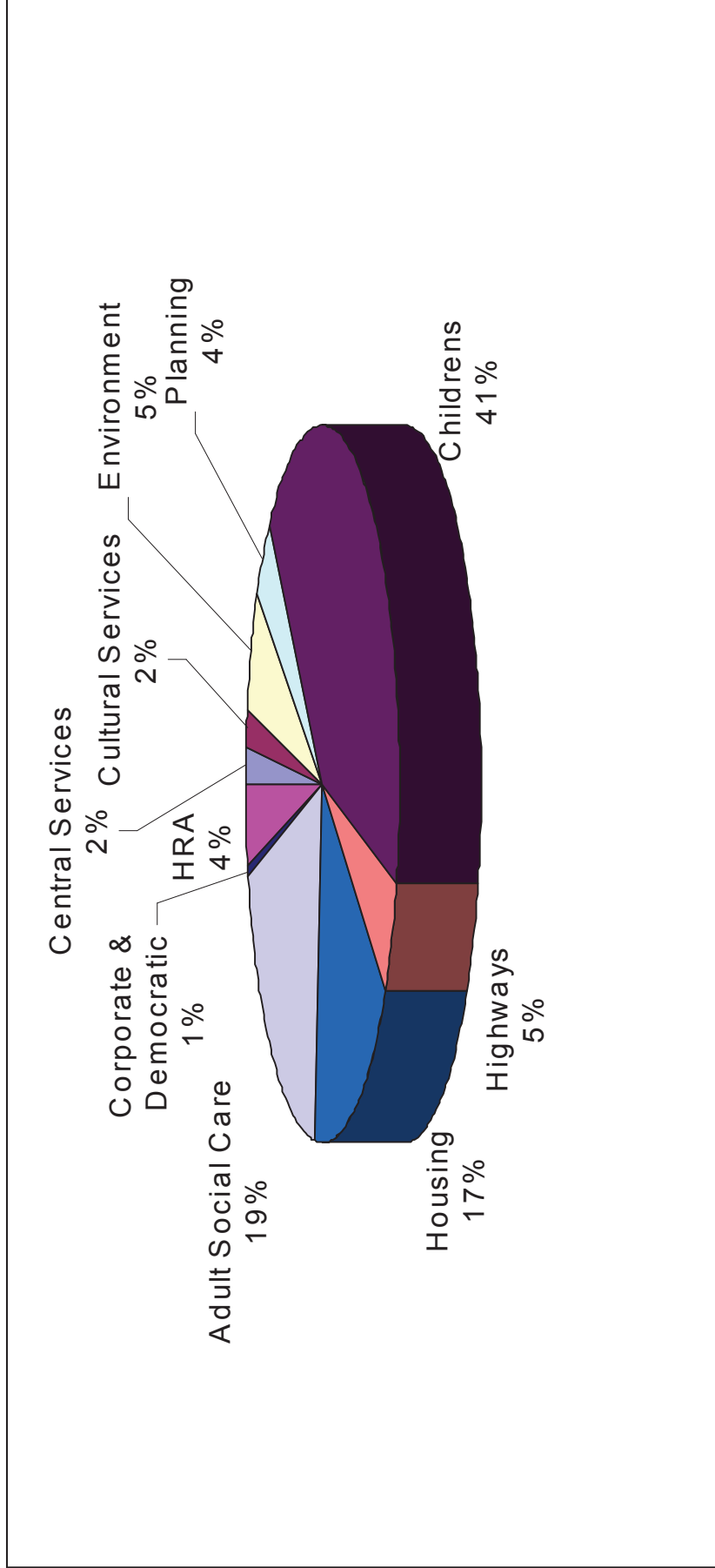
The General Fund Balance is very important as this is what would be used in the event of any unforeseen risks/events/uncertainties not already provided for in the Council's budgets

- Movement in Reserves Statement Page 16



# How the Council Spends Money

- CBC Spent £490m in 2012/13 on Services



- Comprehensive Income and Expenditure Statement Page 18

# How Expenditure was Funded

CBC Service Expenditure	£490m
<u>Funded by:</u>	
Council Tax	(£137m)
Dedicated Schools Grant (DSG)	(£105m)
Other Government Grants	(£172m)
Other Income	(£76m)

- Council Tax funds about 1/3 of expenditure

- Comprehensive Income and Expenditure Statement Page 18 and Grant Income Note 34 Page 74

# CBC Accounts – Council Tax and Business Rates

- Council Tax in CBC was £1,316.59 per Band D

CBC collected **£73m** in Business Rates (NNDR) which it paid over to Central Government.

Central Government gave CBC back **£47m**

97.9% of Council Tax raised and 98.3% of Business Rates were collected in year

- Collection Fund Statement Page 94

# Income and Expenditure

• Deficit on the Provision of Services	£67m
Statutory Adjustments	(£76m)
Transfers to Earmarked Reserves	<u>£6m</u>
<b>Total GF Surplus</b>	<b>(£3m)</b>

- Statutory adjustments determine what is ultimately met by the tax payer have a significant impact on the accounts. They reverse items such as depreciation, impairments etc
- £50m of the deficit reflects write offs in respect of Schools transferring to Academy status
- Movement in Reserves Statement Page 16

# CBC Balance Sheet

£50m reduction in assets due to Schools becoming Academies

	2012 £m	2013 £m
Long Term Assets	978	927
Current Assets	117	93
Current Liabilities	(70)	(53)
Long Term Liabilities	(636)	(682)
<b>Net Worth</b>	<b>389</b>	<b>285</b>

£54m increase in Pension Liability

• Balance Sheet  
Page 19

# Long Term Assets

Valued to account for restricted use as social housing

	£m
Council Houses	304
Land and Buildings	304
Infrastructure	192
Other	127
<b>Total</b>	<b>927</b>

Valued at amount spent historically

• Note 12 Assets  
Page 51

# Long Term Assets – Future Change

Infrastructure	£192m	Valued at amount spent historically
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- 2014/15 the valuation basis for our roads, street lights etc will change from ‘historical cost’ to the cost of replacing the assets in their current condition. This will increase the assets value and the net worth of the Council’s balance sheet significantly.

# Debtors and Creditors

	2012 £m	2013 £m
Debtors – owed to the Council	56	48
Creditors – owed by the Council	52	37

- Significant decrease in Creditors in due to schools transforming to Academy status and the cessation of payroll services provided to schools by the Council

- Note 17 Debtors and Note 20 Creditors pages 58 and 59



# Cash and Short Term Investments

	2012	2013
	£m	£m
Cash and Cash Equivalents	46	23
Short Term Investments	13	20
<b>Total</b>	<b>59</b>	<b>43</b>

- This balance represents the physical cash the Council has to support the amounts the Councils owes, its grants carried forward and its general and earmarked reserves
- The Council earned £1m interest on its investments with rates below 1%.

• Note 18 Cash Page 58

# Investments

- The Council's Annual Investment Strategy is approved annually by Full Council
- The Strategy specifies the financial institutions the Council can invest in and the maximum sum to be invested with institutions in each credit category.
- The Council only invests in institutions with a minimum credit rating of:
  - A- for UK Institutions
  - AA+ for Non UK
  - All institutions invested in must have access to the UK Government's Credit Guarantee Scheme or be systemically important to the sovereign state's economy.



# Borrowing

- The Council's Capital Financing Requirement is £399m. The Council had to make a minimum revenue provision (MRP) of £6m towards this in 2012/13.
- The Council has externally borrowed £306m to meet this, paying £9m interest in year.
- The remainder is internally borrowed from cash balances.
- £165m of borrowing relates to the Housing Revenue Account.
- Note 15 Financial Instruments Page 56 and Note 36 Capital Expenditure and Financing Page 76

# Interest Rate Risk

- If Interest Rates increased by 1%, based on the current position the Council would face:
  - Increase in interest on borrowing £0.8m  
(£0.3m of this would relate to the HRA)
  - Increase in interest earned on balances £0.4m
- Note 45 Financial Instrument Risks Page 84

# Capital

- The Council spent £73m on Capital Expenditure in 2012/13. This was funded as follows:

	£m
Capital Receipts	4
Grants and Contributions	38
Revenue Provision	6
Council Resources	25
<b>Total</b>	<b>73</b>

Statutory Provision towards Capital Financing Requirement

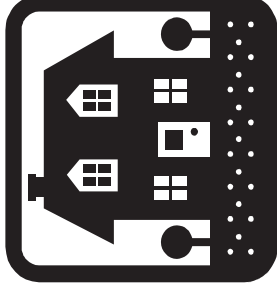
Increases the Capital Financing Requirement

- Note 36 Capital Expenditure and Financing Page 76

# Capital

- The Council had £555m of Capital Grants and Contributions received in advance of expenditure. The largest areas were:
  - £23m of Section 106 Contributions
  - £14m Basic Needs Grant for school places
  - £5m NHS Campus Closure Grant

# Housing Revenue Account (HRA)



New HRA Self financing Regulations in 2011/12 meant the Council had to take on £165m of Housing Debt in exchange for keeping future Housing Rents.

- The Council has over 5,000 Council Dwellings and received £24m in rental income, whilst maintenance and management cost (£10m)

	£m
HRA General Balance	2
HRA Earmarked Reserves	13

# CBC Accounts – Employees

- The Council paid 154 permanent employees over £50k (199 in 2011/12) and 74 employee contracts were terminated in year



- Redundancy costs of £1.3m were incurred
- The Council paid over £50k to 73 temporary employees in year (39 in 2011/12)

- Note 31 Officer Remuneration Page 70



# Pensions

- The Council's Budget reflects actual employer payments in respect of LGPS - £15.1m (take out for statements)
- CIES deficit on provision of services includes cost of pensions earned in year £20.8m measured under IAS19 – 2 elements
  - In cost of services - £9.4m
  - In Financing and Investment Income and Expenditure £11.4m

# Pensions

- In addition in the CIES under Other CIE any Actuarial Gains or Losses are also recognised £48.4m of losses – Note 42
- The difference between contributions actually paid and IAS19 costs (£15.1m v £20.8m) of £5.7m plus the Actuarial losses of £48.4m equals the in year movement on the Net Pension Liability of £54.2 (rounded)
- No impact on General Fund - See Movement in Reserves Statement and Note 7

# Pensions

- Assets and Liabilities follows IAS 19

	2011/12	2012/13	VAR
Liabilities	(£582m)	(£670m)	(15%)
Assets	£332m	£366m	10%
Net Total	(£250m)	(£304m)	(22%)

- Actual Contribution rates follow triennial fund valuation calculated on a different basis

# Pensions

- Liabilities /cost of pensions – key is the discount rate used - if low liabilities increase
  - Rate March 2012 = 2.3% (4.8% bond yields less 2.5% CPI)
  - Rate March 2013 = 1.7% (4.5% bond yields less 2.8% CPI)
- The change added 12% to the £582m of IAS 19 liabilities at March 2012.

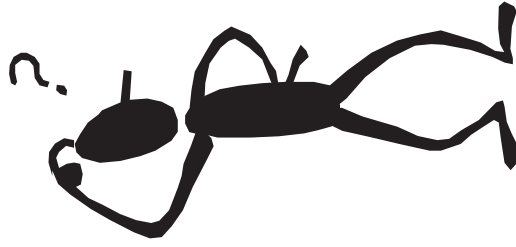
# Pensions

- Employers contributions set every three years – different assumptions to IAS 19 and 20 year deficit recovery period
- Results of March 2013 valuation available in Autumn – previous funding level 72% and employer contribution of 23.9% (13/14)
- New LGPS from April 2014

# Conclusion and Next Steps

- Accounts show the overall financial health of the organisation, encouraging a focus on more than just the 'bottom line'
- CBC has a solid financial basis and is heading in the right direction
- The accounts will be audited by Ernst & Young LLP from July – September
- Public Inspection Period 8<sup>th</sup> July – 2<sup>nd</sup> August
- The accounts will be signed by Audit Committee in September

# Any Questions?



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### 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.

<u>Usable Reserves 2012/13</u>	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	HRA Major Repairs £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Schools £'000	<u>Usable Reserve Total £'000</u>
<b>Balance at 31 March 2012</b>	(10,919)	(18,526)	(3,905)	0	(200)	0	(1,480)	(10,240)	(45,270)
<b>Movement in Reserves during 2012/13:</b>									
(Surplus)/deficit on provision of services	69,309	0	(2,170)	0	0	0	0	0	67,139
<b>Total Comprehensive I&amp;E</b>	69,309	0	(2,170)	0	0	0	0	0	67,139
Adjustments between accounting basis and funding basis under regulations (note 7)	(78,299)		(5,862)		(3,237)	(657)		0	(88,055)
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	(8,990)	0	(8,032)	0	(3,237)	(657)	0	0	(20,916)
Transfers (to)/from Earmarked Reserves (note 8)	5,710	(2,908)	9,937	(9,937)	0	0	0	(2,802)	0
<b>(Increase)/Decrease in year</b>	(3,280)	(2,908)	1,905	(9,937)	(3,237)	(657)	0	(2,802)	(20,916)
<b>Balance at 31st March 2013</b>	(14,199)	(21,434)	(2,000)	(9,937)	(3,437)	(657)	(1,480)	(13,042)	(66,186)

<u>Unusable Reserves 2012/13</u>	Revaluation Reserve £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Short term Accumulated Absence £'000	<u>Unusable Reserve Total £'000</u>	<u>Total Reserves £'000</u>
<b>Balance at 31 March 2012</b>	(44,952)	312	249,620	(561,001)	(72)	1,949	1,581	8,309	(344,254)	(389,524)
Other Comprehensive I&E	(11,508)	(36)	48,436	0	0	0	0	0	36,892	104,031
Adjustments between accounting basis and funding basis under regulations (note 7)	9,966	0	5,773	77,709	72	(116)	(476)	(4,874)	88,055	0
<b>(Increase)/Decrease in year</b>	(1,542)	(36)	54,209	77,709	72	(116)	(476)	(4,874)	124,947	104,031
<b>Balance at 31st March 2013</b>	(46,494)	276	303,829	(483,292)	0	1,833	1,105	3,435	(219,308)	(285,494)

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

<u>Unusable Reserves 2011/12</u>	Revaluation Reserve £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Short term Accumulated Absence £'000	<u>Unusable Reserves Total £'000</u>	<u>Total Reserves £'000</u>
<b>Balance at 31st March 2011</b>	<b>(50,019)</b>	<b>398</b>	<b>197,283</b>	<b>(828,163)</b>	<b>(72)</b>	<b>2,065</b>	<b>1,292</b>	<b>5,687</b>	<b>(671,530)</b>	<b>(709,978)</b>
<b>Movement in Reserves during 2011/12:</b>										
(Surplus)/deficit on provision of services	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	44,363	43,895
<b>Total Comprehensive I&amp;E</b>	<b>(9,283)</b>	<b>(243)</b>	<b>53,887</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,363</b>	<b>320,456</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	14,350	157	(1,550)	267,162	0	(116)	288	2,622	282,915	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>5,067</b>	<b>(86)</b>	<b>52,337</b>	<b>267,162</b>	<b>0</b>	<b>(116)</b>	<b>288</b>	<b>2,622</b>	<b>327,276</b>	<b>320,456</b>
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>5,067</b>	<b>(86)</b>	<b>52,337</b>	<b>267,162</b>	<b>0</b>	<b>(116)</b>	<b>288</b>	<b>2,622</b>	<b>327,276</b>	<b>320,456</b>
<b>Balance at 31st March 2012</b>	<b>(44,952)</b>	<b>312</b>	<b>249,620</b>	<b>(561,001)</b>	<b>(72)</b>	<b>1,949</b>	<b>1,581</b>	<b>8,309</b>	<b>(344,254)</b>	<b>(389,524)</b>

<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>
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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.

<u>2011/12</u>			<u>2012/13</u>		
<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000	<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000
<b>Service Analysis</b>					
86,712	(81,849)	4,863	7,400	(4,100)	3,300
11,787	(1,026)	10,761	9,316	(586)	8,730
25,447	(3,065)	22,382	26,108	(2,149)	23,959
18,552	(7,029)	11,523	18,249	(4,212)	14,037
268,487	(206,463)	62,024	205,131	(151,742)	53,389
26,937	(3,480)	23,457	24,939	(1,826)	23,113
12,565	(24,472)	(11,907)	17,010	(26,575)	(9,564)
164,995	0	164,995	0	0	0
9,370	(1,216)	8,154	85,017	(80,435)	4,582
87,656	(33,888)	53,768	92,718	(32,141)	60,577
4,594	(477)	4,117	2,975	(4,215)	(1,241)
7,566 <sup>1</sup>	(685)	6,881	1,183	(47)	1,136
<b>724,668</b>	<b>(363,650)</b>	<b>361,018</b>	<b>490,046</b>	<b>(308,028)</b>	<b>182,018</b>
<b>Cost of Services</b>					
<b>Note</b>					
		151,441		9	91,538
		(3,345)		10	20,764
		(232,553)		11	(227,181)
		276,561			67,139
		(15,705)		12	(12,209)
		6,421		12	701
		(243)		15	(36)
		53,887		42	48,436
		(466)			0
		43,894			36,892
		<b>320,455</b>			<b>104,031</b>
<b>Total Comprehensive Income and Expenditure Statement- Deficit</b>					

<sup>1</sup> £164,995k transferred to Department of Communities and Local Government in 2011/12 as part of HRA self financing

<sup>2</sup> Housing Benefit payments and income reclassified in 2012/13 from Central Services to Other Housing Services.

**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'.

<u>31</u> <u>March</u> <u>2012</u> <u>£'000</u>	<u>Note</u>	<u>31</u> <u>March</u> <u>2013</u> <u>£'000</u>	<u>31</u> <u>March</u> <u>2013</u> <u>£'000</u>
<b>Long Term Assets</b>			
886,649	Property, Plant & Equipment	12	834,332
79,264	Investment Properties	13	78,809
6,650	Intangible Assets	14	8,380
4,688	Long Term Investments	15	4,724
1,143	Long Term Debtors	15	1,117
<b>978,394</b>			<b>927,362</b>
<b>Current Assets</b>			
12,796	Short Term Investments- principal	15	20,118
2,961	Assets Held for Sale	19	2,700
55,620	Short Term Debtors	17	48,093
45,679	Cash and Cash Equivalents	18	23,307
<b>117,056</b>			<b>94,218</b>
<b>Current Liabilities</b>			
(5,038)	Short Term Borrowing	15	(8,792)
(52,441)	Short Term Creditors	20	(37,183)
(3,713)	Provisions	21	(4,180)
(8,309)	Provisions - accumulated absences	23	(3,435)
<b>(69,501)</b>			<b>(53,590)</b>
<b>Long Term Liabilities</b>			
(355)	Long Term Creditors	15	(132)
(18,005)	Private Finance Initiative (PFI)	38	(17,409)
(313,678)	Long Term Borrowing <sup>2</sup>	15	(306,225)
(249,620)	Liability to Defined Benefit Pension Scheme	42	(303,829)
(54,766)	Capital Grants (receipts in advance)	34	(54,901)
<b>(636,424)</b>			<b>(682,496)</b>
<b>389,524</b>	<b>Net Assets</b>		<b>285,494</b>
<b>Total Reserves</b>			
(45,270)	Usable Reserves	22	(66,186)
(344,254)	Unusable Reserves	23	(219,308)
<b>(389,524)</b>			<b>(285,494)</b>

<sup>3</sup> £164,995k additional long term borrowing taken on to facilitate the HRA's self financing during 2011/12.

<b>CASH FLOW STATEMENT</b>
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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.

<u>2011/12</u> <u>£'000</u>	<u>Note</u>	<u>2012/13</u> <u>£'000</u>
(276,561) Net surplus/(deficit) on the provision of services	24	(67,139)
185,345 Adjustment net surplus/(deficit) on the provision of services for non-cash movements	24	133,498
(38,334) Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	24	(33,819)
<b>(129,550) Net cash flows from operating activities- inflow/(outflow)</b>	24	<b>32,540</b>
11,200 Investing activities	25	(49,874)
158,972 Financing activities	26	(5,038)
<b>40,622 Net increase/(decrease) in cash and cash equivalents</b>		<b>(22,372)</b>
5,057 Cash and cash equivalents at 1st April		45,679
<b>45,679 Cash and cash equivalents at 31st March</b>	18	<b>23,307</b>

31. Officers' Remuneration

Senior Officers are defined by the Authority as any officer at Director level or above, plus the Section 151 and Monitoring Officer. During 2012/13, this classification included the:

- Chief Executive
- Four Directors
- The Section 151 Officer
- Monitoring Officer

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

	Salary, Fees & Allowances	Expenses & Other Payments	Total Remuneration Excluding Pension contributions	Pension Contributions	Total
Richard Carr – Chief Executive 2012/13 2011/12	181,331 184,213	1,062 897	182,393 185,110	39,705 40,110	222,098 225,220
Edwina Grant – Deputy Chief Executive 2012/13 2011/12	153,904 155,987	598 1,964	154,502 157,951	33,641 33,984	188,143 191,935
Gary Alderson – Director of Sustainable Communities 2012/13 2011/12	130,340 100,150	440 199	130,780 100,349	28,544 21,789	159,324 122,138
Julie Ogley – Director social Care, Health & Housing 2012/13 2011/12	140,561 142,615	613 474	141,174 143,089	30,783 31,097	171,957 174,186
Charles Warboys – S151 Officer 2012/13 2011/12	89,082 67,092	1,170 676	90,252 67,768	19,509 14,634	109,761 82,402
John Atkinson – Monitoring Officer 2012/13 2011/12	70,903 72,057	572 838	71,475 72,895	15,528 15,675	87,003 88,570
Alan Fleming – Service Director Business Services 2012/13 (Jun-Oct 2011) 2011/12	101,457 103,619	1,814 1,326	103,271 104,945	22,788 22,549	126,059 127,494
Richard Ellis – Director of Customer & Shared Services 2012/13 (Apr-July 2011) 2011/12	0 40,777	0 88,137	0 128,914	0 8,848	0 137,762
<b>Total</b> 2012/13 2011/12	<b>867,578</b> <b>866,510</b>	<b>6,269</b> <b>94,511</b>	<b>873,848</b> <b>961,021</b>	<b>190,498</b> <b>188,686</b>	<b>1,064,345</b> <b>1,149,707</b>

Remuneration will be less than in 2011/12 due to a full year's effect of the 2% salary reduction introduced in October 2011.

Alan Fleming was Acting Director of Sustainable Communities from June – October 2011.

Charles Warboys commenced employment with Central Bedfordshire Council mid-June 2011.

Deb Clarke has been the Interim Assistant Chief Executive of People & Organisation since 1<sup>st</sup> August 2011, prior to which she held another role in the Authority. As at 31<sup>st</sup> March 2013 Deb Clarke was not an employee of the Authority, but provided services under an interim management contract. The cost to the Authority for this post in 2011/12 was £119K (60k for prior post from April to July 2011) and for 2012/13 the cost was £170k. This comprised 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:

	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>
	<u>Number of permanent employees</u>	<u>Number of permanent employees</u>	<u>Number of temporary employees and interim managers</u>	<u>Number of temporary employees and interim managers</u>
£50,000-£54,999	78	51	11	9
£55,000-£59,999	41	31	5	17
£60,000-£64,999	35	40	9	18
£65,000-£69,999	19	8	3	5
£70,000-£74,999	8	6	3	5
£75,000-£79,999	5	4	3	3
£80,000-£84,999	7	4	1	3
£85,000-£89,999	4	5	0	3
£90,000-£94,999	1	2	1	0
£95,000-£99,999	1	0	2	0
£100,000-£104,999	0	1	0	5
£105,000-£109,999	0	0	0	0
£110,000-£114,999	0	2	0	1
£115,000-£119,999	0	0	0	1
£120,000-£124,999	0	0	0	0
£125,000-£129,999	0	0	0	0
£130,000-£134,999	0	0	0	0
£135,000-£139,999	0	0	1	1
£140,000-£144,999	0	0	1	1
£145,000-£149,999	0	0	1	1
<b>Total</b>	<b>199</b>	<b>154</b>	<b>41</b>	<b>73</b>

This table above includes redundancy costs for employees who have now left the Council's employment.

Exit Packages:

The total cost of £1.3m in the table below includes all exit packages that have been agreed, accrued for and charged to the Authority's Comprehensive Income & Expenditure Statement for the current year. The Authority's Comprehensive Income & Expenditure Statement does not include any provision for exit packages, however there is an earmarked reserve established for this purpose.

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)	Total number of compulsory redundancies by cost band		Total cost of exit packages in each band (£'000)	
	2011/12	2012/13	2011/12	2012/13
£0 - £20K	156	54	963	416
£20 - £40K	30	13	813	342
£40 - £60K	13	2	632	94
£60 - £80K	5	2	333	139
£80 - £100K	1	3	88	266
£100 - £150K	1	0	114	0
<b>Total</b>	<b>206</b>	<b>74</b>	<b>2,943</b>	<b>1,257</b>