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

please ask for Leslie Manning
direct line 0300 300 5132
date 12 September 2013

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time
Monday, 23 September 2013 9.30 a.m.

Venue at
Room 15, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the AUDIT COMMITTEE:

Cllrs M C Blair (Chairman), D Bowater (Vice-Chairman), R D Berry, N B Costin, D J Lawrence and A Zerny

[Named Substitutes:

Mrs J G Lawrence, A Shadbolt, M A Smith and N Warren]

All other Members of the Council - on request

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

AGENDA

1. **Apologies for Absence**

   To receive apologies for absence and notification of substitute Members.

2. **Minutes**

   To approve as a correct record the minutes of the meeting of the Audit Committee held on 24 June 2013 (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	**2012/13 Statement of Accounts** To present for approval the 2012/13 Statement of Accounts for Central Bedfordshire Council and the letter of representation to the external auditors.	*	53 - 184
8	**Audit Results Report** To receive a report from Ernst & Young LLP setting out the results of its 2012/13 audit.	*	185 - 196

9	**LG Sector Update**	*	197 - 208
	To receive an information paper on local government financial issues from Ernst & Young LLP.		
10	**Internal Audit Progress Report**	*	209 - 218
	To consider an update on the progress of work by Internal Audit for 2013/14.		
11	**Risk Update Report**	*	219 - 222
	To consider an overview of the Council's risk position as at August 2013.		
12	**Tracking of Audit Recommendations**	*	223 - 238
	To consider a summary of 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 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	Cllrs	A Zerny
	D J Lawrence		

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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APPENDIX A

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.

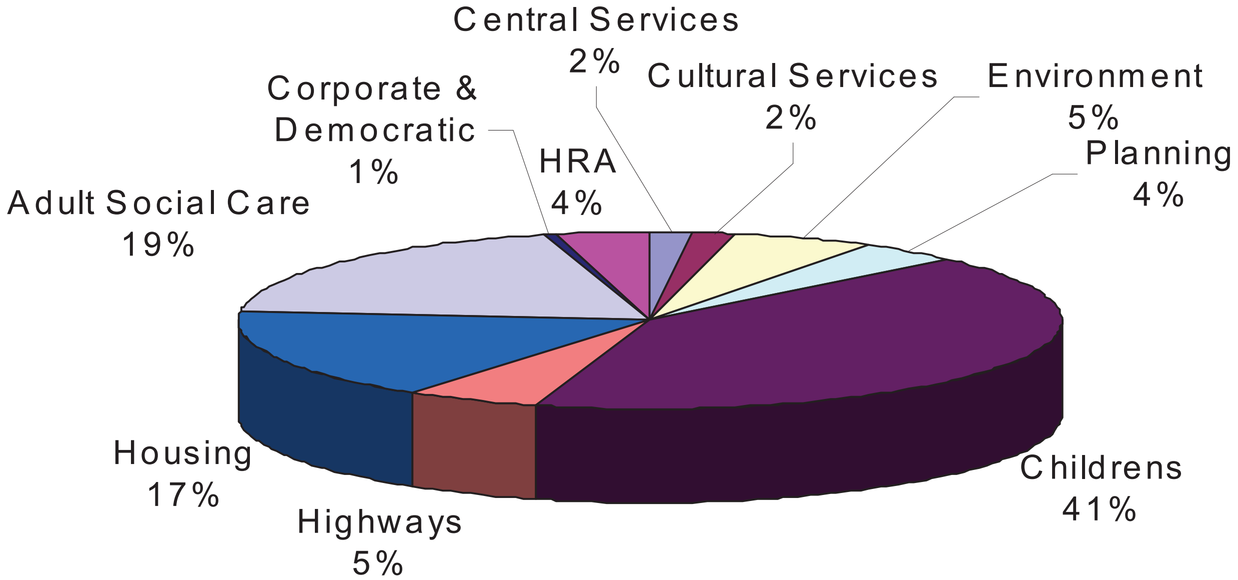
	2011/12 (£m)	2012/13 (£m)
General Fund (GF) Balance	10.9	14.2
GF Reserves Earmarked for Specific Purpose	18.5	21.4

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
Funded by:	
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	£6m
Total GF Surplus	**(£3m)**

- 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

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

£50m reduction in assets due to Schools becoming Academies

£54m increase in Pension Liability

- Balance Sheet Page 19

Long Term Assets

	£m
Council Houses	304
Land and Buildings	304
Infrastructure	192
Other	127
Total	**927**

Valued to account for restricted use as social housing

Valued at amount spent historically

- Note 12 Assets Page 51

Long Term Assets – Future Change

Infrastructure	£192m	Valued at amount spent historically

- 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.

- Note 12 Assets Page 51

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 £m	2013 £m
Cash and Cash Equivalents	46	23
Short Term Investments	13	20
Total	**59**	**43**

- 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.

• Note 45 Financial Instrument Risks Page 84

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
Total	**73**

Statutory Provision towards Capital Financing Requirement

Increases the Capital Financing Requirement

- Note 36 Capital Expenditure and Financing Page 76

Capital

- The Council had £55m 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

- Grant Income Note 34 Page 74

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

- HRA Statements Page 89

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^{th} July – 2^{nd} 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.

Usable Reserves 2012/13	**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**	**Usable Reserve Total £'000**
Balance at 31 March 2012	(10,919)	(18,526)	(3,905)	0	(200)	0	(1,480)	(10,240)	(45,270)
Movement in Reserves during 2012/13:									
(Surplus)/deficit on provision of services	69,309	0	(2,170)	0	0	0	0	0	67,139
Total Comprehensive I&E	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)
Net (increase)/decrease before transfers to Earmarked Reserves	(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
(Increase)/Decrease in year	(3,280)	(2,908)	1,905	(9,937)	(3,237)	(657)	0	(2,802)	(20,916)
Balance at 31st March 2013	(14,199)	(21,434)	(2,000)	(9,937)	(3,437)	(657)	(1,480)	(13,042)	(66,186)

Unusable Reserves 2012/13	**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**	**Unusable Reserve Total £'000**	**Total Reserves £'000**
Balance at 31 March 2012	(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
(Increase)/Decrease in year	(1,542)	(36)	54,209	77,709	72	(116)	(476)	(4,874)	124,947	104,031
Balance at 31st March 2013	(46,494)	276	303,829	(483,292)	0	1,833	1,105	3,435	(219,308)	(285,494)

Usable Reserves 2011/12	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	Usable Reserves Total £'000
Balance at 31 March 2011	(6,990)	(12,091)	(3,742)	(46)	(200)	(2,568)	(1,480)	(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	0	2,568	0	1,092	(282,915)
Net (increase)/decrease before transfers to Earmarked Reserves	**(10,364)**	**0**	**(116)**	**0**	**0**	**2,568**	**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**	**0**	**2,568**	**0**	**1,092**	**(6,820)**
Balance at 31st March 2012	**(10,919)**	**(18,526)**	**(3,905)**	**0**	**(200)**	**0**	**(1,480)**	**(10,240)**	**(45,270)**

Unusable Reserves 2011/12	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	Unusable Reserves Total £'000	Total Reserves £'000
Balance at 31st March 2011	**(50,019)**	**398**	**197,283**	**(828,163)**	**(72)**	**2,065**	**1,292**	**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	**276,561**
Other Comprehensive I&E	(9,283)	(243)	53,887	0	0	0	0	0	44,363	**43,895**
Total Comprehensive I&E	**(9,283)**	**(243)**	**53,887**	**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	2,622	282,915	**0**
Net (increase)/decrease before transfers to Earmarked Reserves	**5,067**	**(86)**	**52,337**	**267,162**	**0**	**(116)**	**288**	**2,622**	**327,276**	**320,456**
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	**0**
(Increase)/Decrease in year	**5,067**	**(86)**	**52,337**	**267,162**	**0**	**(116)**	**288**	**2,622**	**327,276**	**320,456**
Balance at 31st March 2012	**(44,952)**	**312**	**249,620**	**(561,001)**	**(72)**	**1,949**	**1,581**	**8,309**	**(344,254)**	**(389,524)**

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.

2011/12 Gross Expenditure £'000	2011/12 Gross Income £'000	2011/12 Net Expenditure £'000		2012/13 Gross Expenditure £'000	2012/13 Gross Income £'000	2012/13 Net Expenditure £'000
			Service Analysis			
86,712	(81,849)	4,863	Central Services to the Public	7,400	(4,100)	3,300
11,787	(1,026)	10,761	Cultural and Related Services	9,316	(586)	8,730
25,447	(3,065)	22,382	Environment and Regulatory Services	26,108	(2,149)	23,959
18,552	(7,029)	11,523	Planning Services	18,249	(4,212)	14,037
268,487	(206,463)	62,024	Children's & Education Services	205,131	(151,742)	53,389
26,937	(3,480)	23,457	Highways & Transport Services	24,939	(1,826)	23,113
12,565	(24,472)	(11,907)	Housing Revenue Account (HRA)	17,010	(26,575)	(9,564)
164,995	0	164,995	HRA - exceptional item- self financing[1]	0	0	0
9,370	(1,216)	8,154	Other Housing Services[2]	85,017	(80,435)	4,582
87,656	(33,888)	53,768	Adult Social Care	92,718	(32,141)	60,577
4,594	(477)	4,117	Corporate & Democratic Core	2,975	(4,215)	(1,241)
7,566 [1]	(685)	6,881	Non-Distributed Costs	1,183	(47)	1,136
724,668	**(363,650)**	**361,018**	**Cost of Services**	**490,046**	**(308,028)**	**182,018**
					Note	
		151,441	**Other Operating Expenditure**		9	91,538
		(3,345)	**Financing and Investment Income and expenditure**		10	20,764
		(232,553)	**Taxation and Non-Specific Grant Income**		11	(227,181)
		276,561	**Deficit on Provision of Services**			67,139
		(15,705)	Revaluation gains on non-current assets		12	(12,209)
		6,421	Revaluation losses (chargeable to Revaluation Reserve) on non-current assets		12	701
		(243)	(Surplus)/deficit on revaluation of available for sale assets		15	(36)
		53,887	Actuarial (gain)/losses on pensions asset/liabilities		42	48,436
		(466)	Other			0
		43,894	**Other Comprehensive Income and Expenditure Statement- Deficit**			36,892
		320,455	**Total Comprehensive Income and Expenditure Statement- Deficit**			104,031

[1] . £164,995k transferred to Department of Communities and Local Government in 2011/12 as part of HRA self financing
[2]. 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'.

31 March 2012 £'000		Note	31 March 2013 £'000	31 March 2013 £'000
	Long Term Assets			
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	
978,394				**927,362**
	Current Assets			
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	
117,056				**94,218**
	Current Liabilities			
(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)	
(69,501)				**(53,590)**
	Long Term Liabilities			
(355)	Long Term Creditors	15	(132)	
(18,005)	Private Finance Initiative (PFI)	38	(17,409)	
(313,678)	Long Term Borrowing [2]	15	(306,225)	
(249,620)	Liability to Defined Benefit Pension Scheme	42	(303,829)	
(54,766)	Capital Grants (receipts in advance)	34	(54,901)	
(636,424)				**(682,496)**
389,524	**Net Assets**			**285,494**
	Total Reserves			
(45,270)	Usable Reserves	22	(66,186)	
(344,254)	Unusable Reserves	23	(219,308)	
(389,524)				**(285,494)**

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

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.

2011/12 £'000		Note	2012/13 £'000
(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)
(129,550)	**Net cash flows from operating activities- inflow/(outflow)**	24	**32,540**
11,200	Investing activities	25	(49,874)
158,972	Financing activities	26	(5,038)
40,622	**Net increase/(decrease) in cash and cash equivalents**		**(22,372)**
5,057	Cash and cash equivalents at 1st April		45,679
45,679	**Cash and cash equivalents at 31st March**	18	**23,307**

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
Total **2012/13** **2011/12**	**867,578** **866,510**	**6,269** **94,511**	**873,848** **961,021**	**190,498** **188,686**	**1,064,345** **1,149,707**

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 1st August 2011, prior to which she held another role in the Authority. As at 31st 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:

	2011/12 Number of permanent employees	2012/13 Number of permanent employees	2011/12 Number of temporary employees and interim managers	2012/13 Number of temporary employees and interim managers
£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
Total	**199**	**154**	**41**	**73**

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
Total	**206**	**74**	**2,943**	**1,257**

Meeting:	**Audit Committee**
Date:	**23 September 2013**
Subject:	**2012/13 Statement of Accounts**
Report of:	**Charles Warboys – Chief Finance Officer**
Summary:	The report presents the 2012/13 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:	Nisar Visram – Financial Controller
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 Committee is asked to:

1. approve the 2012/13 Statement of Accounts; and

2. approve the 2012/13 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 2013 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 Ernst & Young LLP attached at Appendix B.

Statement of Accounts 2012/13

12. The Chief Finance Officer, as required by the Accounts and Audit Regulations, certified the 2012/13 annual accounts on 24 June 2013. A presentation explaining key figures within the accounts was given to the Audit Committee in June. Public Inspection of the accounts was also undertaken and this was concluded on 2 August 2013.

13. The Statement of Accounts has been subject to external audit validation. The audit of the accounts was undertaken during July, August and September 2013 and was conducted by Ernst & Young who replaced the Audit Commission as the Council's auditors.

14. Ernst & Young's Audit Committee Summary is a separate item on this agenda. The Audit Committee Summary outlines any significant adjustments to the original version of the accounts.

15. 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 2013 Audit Committee meeting.

16. 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

17. 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 a draft letter of representation to Ernst & Young, attached at Appendix B.

Conclusion and Next Steps

18. 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 Ernst & Young.

Appendices:

Appendix A – 2012/13 Statement of Accounts

Appendix B – 2012/13 Letter of Representation

Background Papers: (open to public inspection)

None

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Central Bedfordshire Council
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Central Bedfordshire

Annual Statement of Accounts

Central Bedfordshire Council
2012/13

CENTRAL BEDFORDSHIRE COUNCIL

STATEMENT OF ACCOUNTS 2012/13

CONTENTS

EXPLANATORY FOREWORD

1 Introduction

I am pleased to present the Statement of Accounts for the year ending 31 March 2013 which provides information on how the Council has applied financial resources to deliver services and progress the priorities outlined in the Medium Term Plan.

Central Bedfordshire Council is a unitary authority serving a growing population of around 255,000. It is a largely rural area with over half the population living in the countryside and the rest in a number of market towns, the largest of which are Leighton Buzzard, Dunstable, Houghton Regis, Biggleswade, Flitwick, Sandy and Ampthill. The area is generally prosperous, with above national average levels of employment and earnings, benefitting from excellent transport links, including the A1 and M1, three main rail lines and the close location of Luton and Stansted international airports. The area is a great place to live and work having attracted major investments and many residents who commute out of the area to London, Luton, Milton Keynes and Hertfordshire.

The Council has had to manage its services and resources in an environment of continued reductions in central government funding and subdued economic growth which has further restrained income and contributed to increasing demand for many services.

The population is predicted to grow to 276,500 by 2016 and the Council is striving to provide for this increase by supporting affordable housing developments as well as working with businesses to help create local jobs. In tandem with population growth residents are enjoying longer lives which increases the need for many Council services.

The Council continues to adapt to changes in both statutory responsibilities and technology. Over half of all pupils are now educated in academies and this proportion is expected to continue to rise. Public health services will transfer to the Council from the National Health Service on 1 April 2013.

The Statement of Accounts have been produced for the Council as a single entity based on International Financial Reporting Standards (IFRS) and prepared in accordance with the Chartered Institute of Public Finance and Accountancy/ Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) Code of Practice on local authority accounting in Great Britain (“the code”). The code’s overriding requirement is that the Statement of Accounts should ‘present a true and fair view’ of the financial position and transactions of the Council.

The specific requirements of the code are very detailed and this foreword is intended to help guide the reader through the document and highlight any significant matters. The foreword and the glossary of terms are included to assist the reader and are not formally part of the Statement of Accounts and as such are not covered directly by the statutory requirements for an audit opinion.

2 The Financial Statements

Main Statements

The code requires that the accounts are prepared in line with recognised accounting practices and this approach recognises several costs such as depreciation that, under statute, cannot be charged to local taxpayers. The statements outlined are intended to inform the reader of both the accounting and the regulatory financial position of the Council. Comparative numbers are also provided for the year ended 31 March 2012

The Movement in Reserves Statement shows the movement in year on the Council's different reserves which are analysed into "usable reserves" (those that can be applied to fund expenditure or reduce taxation) which in total at 31 March 2013 amount to £66.2m and other reserves £219.3m. The Surplus or (Deficit) on the Provision of Services line shows an accounting net cost of £67.1m incurred in the delivery services for the year ended 31 March 2013. Other lines on the statement disclose the adjustments between the accounting and funding (statutory) basis of £88.0m and net transfers to or from earmarked reserves

The Comprehensive Income and Expenditure Statement for the year ended 31 March 2013 discloses the day-to-day expenditure incurred in providing services, any financing costs and the income due from fees and charges, government grants, local taxation and other contributions. This statement discloses the 'Deficit on Provision of Services' (£67.1m). Any other gains and losses experienced by the Council but which are not reflected in the 'Surplus or Deficit on Provision of Services', as they are dependent on future events before they are realised (e.g. increases in asset values will only be realised if the asset is sold) are recognised under 'Other Comprehensive Income and Expenditure' as £36.9m. The 'Total Comprehensive Income and Expenditure deficit for the Period' reported is £104.0m.

The Balance Sheet shows the value as at 31 March 2013 of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. The net worth of the Council as at 31 March 2013 was £285.5m.

The Cash Flow Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash and Cash Equivalents held by the Council as at 31 March 2013 amounted to £23.3m with a reduction over the period of £22.4m. The reduction in balances is largely due to Internal Borrowing to fund the Capital programme.

The notes to the Statement of Accounts include the statement of accounting policies which explain the basis for the recognition, measurement and disclosure of transactions in the accounts.

Supplementary financial statements

The Collection Fund separately summarises the transactions in relation to National Non-domestic Rates and Council Tax collected by the Council on behalf of those authorities responsible for services within the area and the way in which these monies have been distributed among the authorities to finance their expenditure.

The Housing Revenue Account Comprehensive Income and Expenditure Statement shows the costs in year of providing and operating the Council's housing stock.

Other Statements published with but not part of the Statement of Accounts.

The Statement of Responsibilities for the Statement of Accounts
The specific responsibilities of the Council and the Chief Finance Officer for preparing and approving the Statement of Accounts are set out in this statement.

The Annual Governance Statement explains how the Council has complied with its corporate governance framework providing information about the different elements of the framework, key issues and the main areas of work that have been progressed during 2012/13 and are being developed in 2013/14.

The Glossary is provided as an aid to readers of this document.

3 Summary of Financial Performance in 2012/13

Revenue Income and Expenditure
The net revenue budget for 2012/13 was set at £178.9m (£181.2m in 2011/12). At 31 March 2013 the net revenue outturn was £0.5m below budget. This is reconciled to the accounting statements in Note 27 and summarised by directorate below:

	Children's Services	Corporate Services	Social Care, Health & Housing	Sustainable Communities	Corporate Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2012/13						
Directorate Net Budget	32,914	29,017	55,586	47,421	14,011	178,949
Directorate expenditure:						
Employee Expenses	22,854	55,283	17,167	19,591	2,790	117,685
Other Service Expenses	43,983	102,678	68,754	39,478	11,634	266,527
Total Expenditure	66,837	157,961	85,921	59,069	14,424	384,212
Directorate Income:						
Fees, charges & other service income	(35,300)	(127,207)	(33,128)	(13,112)	(5,495)	(214,242)
Net Costs	31,537	30,754	52,793	45,957	8,929	169,970
Transfers to and (from) reserves	3,138	(1,526)	1,068	621	5,150	8,451
Actual after Reserve Transfers	34,675	29,228	53,861	46,578	14,079	178,421
Surplus/ (Deficit) reported to management	(1,761)	(211)	1,725	843	(68)	**528**

There were variances from budget of over £0.5m in Children's Services and in Social Care, Health and Housing and Sustainable Communities. The key reasons for these were:

- Children's Services – additional funds were set aside in year for future costs relating to looked after children, children with disabilities and to cover shortfalls in Early Intervention Grant (EIG) funding.

- Social Care – underspends in care packages for older people and people with learning disabilities, due to focus on 'right-sizing' of care packages and increased funding for continuing healthcare.

- Sustainable Communities – underspends due to reduced expenditure on planning related consultancy and new contracts for Residual Waste and Recycling Treatment and Disposal.

4 Housing Revenue Account (HRA)

The balance on the Housing Revenue Account (HRA) has decreased in year to £2m (£3.9m in 2011/12), due to amounts being set aside as earmarked reserves. The HRA has two new earmarked reserves in 2012/13: a Sheltered Housing Re-Provision reserve of £8.7m and a Strategic Reserve to finance future housing investment of £1.3m. The HRA was also statutorily required to set aside £3.2m in the Major Repairs Reserve (MRR), to either fund future capital investment or repay debt, and had £0.7m of capital receipts unapplied.

5 The Capital Outturn Position

The net outturn position for the year to 31 March 2013 totalled £34.4m (£23.6m in 2011/12) which was below the net and gross budgets by £8.2m and £15.2m respectively. The 2012/13 capital programme gross budget was £86.3m, with external funding (grants and contributions) of £43.6m giving a net budget of £42.7m.

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 by Directorate in the table overleaf:

Capital Programme Outturn 2012/13					
	BUDGET- Gross Expenditure	**BUDGET- External Funding**	**BUDGET- Net Expenditure**	**Actual net Spend**	**Variance**
Directorate	**£000**	**£000**	**£000**	**£000**	**£000**
Children's Services	28,005	(27,078)	927	840	(87)
Social Care, Health & Housing	7,050	(3,966)	3,084	2,156	(928)
Sustainable Communities	32,631	(12,402)	20,229	19,188	(1,040)
Resources	9,295	(132)	9,163	3,436	(5,727)
People & Organisation	3,128	0	3,128	2,129	(999)
Sub Total	**80,109**	**(43,578)**	**36,531**	**27,750**	**(8,781)**
Housing Revenue Account	6,142	0	6,142	6,650	508
Total	**86,251**	**(43,578)**	**42,673**	**34,400**	**(8,273)**

There were no major or material asset acquisitions in 2012/13.

6 Capital Resources

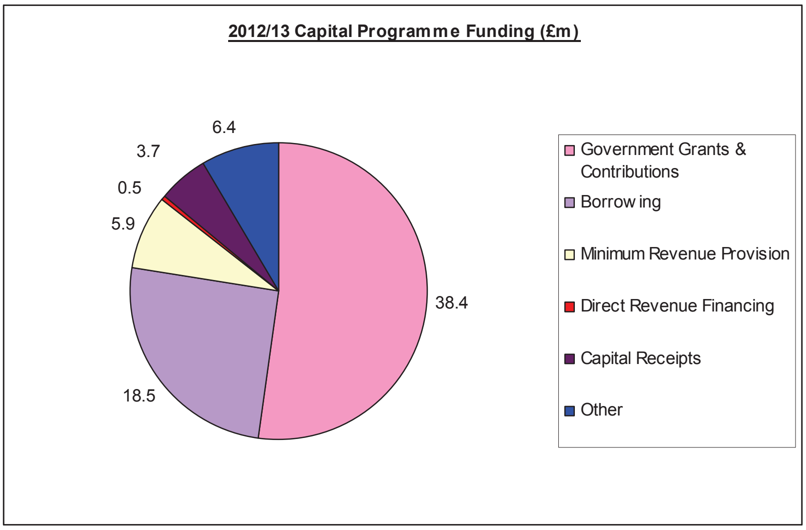
The Council spent £73.4m this year on capital expenditure (including £2.3m Section 106 expenditure) which was funded from the following resources:

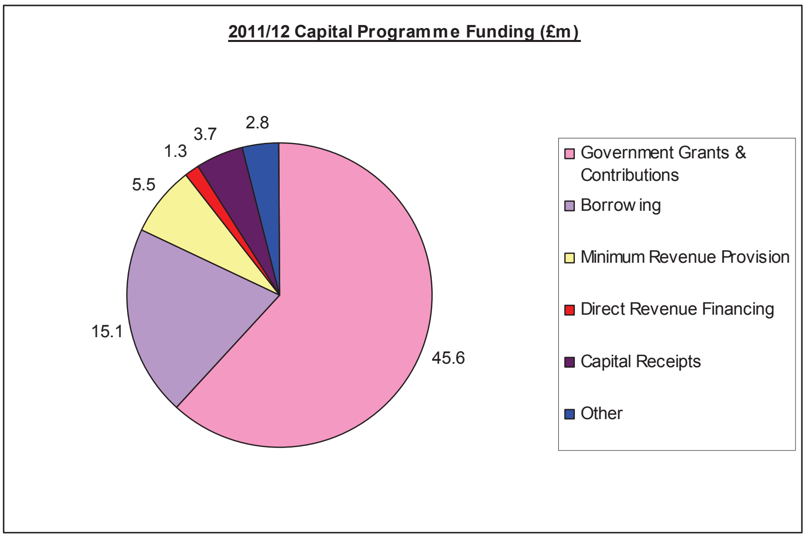
- Capital Receipts - £3.7m (£3.7m in 2011/12)
- Government Grants and Contributions - £38.4m (£45.6m in 2011/12).
- Direct Revenue Funding - £0.5m (£1.3m in 2011/12)
- Minimum Revenue Provision £5.9m (£5.5m in 2011/12)
- Internal Borrowing £18.5m (£5.1m in 2011/12)
- Other £6.4m (£2.8m in 2011/12)

During the year all general fund capital receipts were applied to finance capital expenditure. The Housing Revenue Account retained capital receipts amounting to £0.7m.

The Housing Revenue Account's capital programme is funded through the capital financing requirement of £6.4m and usable capital receipts £0.3m (£0.3m in 2011/12). Previously the Housing Revenue Account's capital programme was funded primarily by the major repairs allowance, but this has been abolished following changes made under Self- Financing arrangements.

A PFI credit of £1.9m, 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.





7 Debt and Investments

Borrowing

Within the Treasury Management Strategy, the Council approved an authorised borrowing limit for 2012/13 of £439.9m (compared to £435m 2011/12).

During the year the Council accessed no additional borrowing and was able to use internal resources to fund all potential borrowing requirements.

Cash Equivalents and Investments

The Council has resources held as cash equivalents cash in hand and deposits repayable within 24 hours, which provide liquidity for the council and some longer term investments. In accordance with the Treasury Management Strategy approved annually by Council and based on regular specialist external advice the allocation to bank accounts and other investments with high levels of security will vary over time and with the Council's experienced cash flows. At 31st March all such resources totalled £23.3m a reduction of £16.3m on 11/12 which reflects the timing of receipts and payments and the decision to defer any new external borrowing for capital expenditure and maturing existing loans.

	2011/12 £'000	**2012/13 £'000**
Cash and Cash Equivalents	45,679	23,307

The Council generated investment income of just over £0.9m in the financial year achieving the set budget for the financial year. The yield the Council achieved on investments reduced in 2012/13 to 1.24% compared to 1.61% in 2011/12. This is due to the overall fall in the rates available 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)	27,520
Externally Managed Lime fund	4,724
	32,244

8 Council Tax Collection

The collectable amount in respect of 2012/13 Council Tax was £144m and the Council's in year collection rate was 97.9% (97.9% 2011/12).

Council Tax arrears amounted to £10m as at 31 March 2013 (£10.3m as at 31 March 2012) of which £3.9m relate to 2012/13 billing and this amount is expected to be substantially collected during 2013/14.

9 Material assets acquired or liabilities incurred

At the end of 2011/12 the Council made a payment of £165m to the Secretary of State for Communities and Local Government as part of Housing Revenue Account (HRA) Self Financing. This is reflected as an exceptional item in the Comprehensive Income and Expenditure Statement in 2011/12.

Schools have converted to Academy status during 2011/12 and 2012/13 and the Property, Plant and Equipment related to these schools is written out of the Council's asset register at the point of transfer. Amounts written off were £49,739k in 2012/13 (£146,321k in 2011/12).

10 Provisions

There were £4.1m of provisions as at 31 March 2013 (£3.7m 2011/12) the most significant being in respect of self insurance arrangements. The Insurance Provision, which includes some liabilities in respect of the former Bedfordshire County Council and managed on behalf of Bedford Borough Council, stood at £2.9m as at 31 March 2013 (£2.8m 2011/12).

11 The Council's Local Government Pension Fund liability

The CIPFA Code of Practice requires the Council to record in the Statement of Accounts, the assets and liabilities of the Bedfordshire Local Government Pension Scheme (LGPS) attributable to the Council and the cost of pensions. The underlying principle is that the Council should account for retirement benefits when it is committed to make them, even though the cash payments may be many years into the future.

The liability for both statutory and discretionary pension benefits, measured in accordance with International Accounting Standard 19 (IAS 19), has increased over the year. At 31 March 2013 the Council's net liability reported by the Actuary to the LGPS was £303.8m (£249.6m in 11/12), an increase of £54.2m (21.7%). The fair value of LGPS assets increased over the year by £33.5m (10.1%) to £365.7m and the value of the obligations to pay pension liabilities increased by £87.7m (15.1%) to £669.5m.

The large increase in the net liability at 31 March 2013 reflects declines in long term bond yields and an increase in the Consumer Prices Index which together reduced the rate used to discount future pension liabilities from 4.8% to 4.5%.

The net pension liability of £303.8m represents an estimate following IAS19 requirements and there is no direct link to funding or employers' contribution rates. The net liability is matched by the Pension Reserve, also shown in the Balance Sheet.

There are statutory arrangements for funding any LGPS deficit by increased employer contributions over the remaining working life of employees, as determined by the scheme's actuary. The triennial actuarial valuation of the Bedfordshire LGPS determines the future contribution rates for employers and reflects different assumptions to those required by IAS19. The latest triennial valuation at 31 March 2010 certified a funding level of 72% for the Council and resulted in stabilised employer contributions of 23.9% of pensionable pay to apply from 1 April 2011 to 31 March 2014.

More information on the Council's pensions liabilities is contained in Note 42 Defined Benefit Pension Schemes.

12 Service and Economic Outlook

The Economic Outlook

The Council's Medium Term Financial Plan (MTFP) 2013 – 2017 has been updated against a background of significant challenges not least of which is Central government reforms to local government at a time of subdued economic growth.

Whilst the worst fears of a triple dip recession were avoided overall UK economic output was broadly flat at 0.3% (preliminary estimate at May 2013) for the year ended 31 March 2013. Despite low economic growth, employment levels remained relatively strong and the annual rate of consumer prices inflation (CPI), although continuing a decline from the 2011 high of 5.2%, remained above the government's target of 2% and ended the year at 2.4%. The Bank of England expects CPI inflation to remain above the 2% target for the next two years. Interest rates remain very low, with the base rate fixed at 0.5% and no increase is anticipated in this rate for several years.

The Office for Budget Responsibility has reduced its forecast for GDP growth in 2013 from 1.2 per cent to 0.6 per cent and from 2.0 per cent to 1.8 per cent for 2014. Expectations are for a subdued but sustained recovery aided by a further easing in credit conditions and some improvement in the global environment. The Bank of England currently judges that the risks to this likely scenario are weighted to the downside, not least because of the challenges facing the euro area and slowing growth in emerging markets.

The Chancellor of the Exchequer has previously revised and extended his plans for deficit reduction and has commenced a spending review process to determine levels of public expenditure for 2015/16. The Chancellor's plans assume that total spending will continue to fall in 2015/16 at the same rate as over the Spending Review 2010 period. As expenditure on Health, Schools and Overseas Development will continue to be protected further pressure is likely on local authorities to reduce expenditure whilst maintaining or improving services.

Service changes

The responsibilities for Public Health transferred to local government from the NHS with effect from 1 April 2013. At the same time local schemes for social payments, council tax support and council tax exemptions have been implemented. The rules on Housing Benefit have been revised with restrictions on entitlement for social housing tenants for cases where their accommodation is assessed as being above their needs. Fundamental changes have also been made to the funding of local authorities by the distribution of locally collected Business Rates.

As indicated in section 9 above, there has been an ongoing transfer of schools to Academy status throughout 2011/12 and 2012/13.

The phased implementation by the government of a system of 'universal credit' to replace an existing range of means-tested benefits and tax credits for people of working age is due to commence in October 2013. This change will have significant operational and resource implications for the Council which at this point in time remain unquantifiable.

Many of the changes outlined above reflect a transfer of additional responsibilities, financial pressures and financial risk to local authorities.

Demographic changes

There are significant social and economic drivers of change within Central Bedfordshire across the medium term and beyond, with forecast demographic changes between 2012 and 2016 of:

- 5% increase in the overall population;
- 16% increase in the over 75's population; and
- 24% increase in the over 85's population

Additionally, technological change is having a profound impact on the delivery and public access to services; reflected in the use of the internet and social media.

Budget plans and Council Priorities

The Council's priorities were approved in June 2012 and are to:

- enhance Central Bedfordshire by creating jobs, managing growth, protecting the countryside and enabling businesses to grow;
- improve educational attainment;
- promote health and wellbeing, and protect the vulnerable;
- provide better infrastructure – improved roads, broadband reach and transport;
- provide great universal services – bins, leisure and libraries, and;
- deliver value for money – freezing council tax.

It is important that the Council establishes a level of reserves which allows it to withstand unanticipated financial impacts of future developments at a local and national level. The principal objectives that were applied when setting the 2013/14 Budget were to:

- produce a sustainable plan allowing Council priorities to be delivered;
- provide for realistic spending year on year that was not dependent on using reserves;
- maintain reserves at, or above, an agreed level reflecting the risks faced by the Council;
- allow for zero Council Tax increases over the MTFP period;
- avoid cuts to front line services; and
- commit to efficiency as a means of delivering savings.

The Budget for 2013/14 identified efficiencies of £16.1m that were required to produce a balanced budget for the year. A further £29.1m of efficiencies are required to be identified over the subsequent three years to achieve the proposed MTFP.

The Capital programme of £80.2m for 2013/14 will be funded by £43.8m of grant funding, £1.5m of capital receipts and £34.9m of council resources. Where council resources are required, internal borrowing will be utilised whilst cash balances permit and external borrowing used thereafter.

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The General Fund Revenue Account balances stood at £14.2m as at 31 March 2013 and £21.4m is held in earmarked reserves.

Charles Warboys
Chief Finance Officer

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

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 has this responsibility.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. The Audit Committee, under delegated authority from the Council, fulfils this role.

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 2012/13 (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 2013 and its income and expenditure for the year ended 31st March 2013.

Charles Warboys
Chief Finance Officer Dated: 23.9.13

I confirm that the Statement of Accounts was approved by the Audit Committee of Central Bedfordshire Council at its meeting on 23rd September 2013.

Councillor Mike Blair
Chair of the Audit Committee Dated: 23.9.13

Central Bedfordshire Council Single Entity Core Financial Statements 2012/13

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.

Usable Reserves 2012/13	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	Usable Reserve Total £'000
Balance at 31 March 2012	(10,919)	(18,526)	(3,905)	0	(200)	0	(1,480)	(10,240)	(45,270)
Movement in Reserves during 2012/13:									
(Surplus)/deficit on provision of services	69,309	0	(2,170)	0	0	0	0	0	67,139
Total Comprehensive I&E	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)	0	(5,862)	0	(3,237)	(657)	0	0	(88,055)
Net (increase)/decrease before transfers to Earmarked Reserves	(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
(Increase)/Decrease in year	(3,280)	(2,908)	1,905	(9,937)	(3,237)	(657)	0	(2,802)	(20,916)
Balance at 31st March 2013	(14,199)	(21,434)	(2,000)	(9,937)	(3,437)	(657)	(1,480)	(13,042)	(66,186)

Unusable Reserves 2012/13	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	Unusable Reserve Total £'000	Total Reserves £'000
Balance at 31 March 2012	(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
(Increase)/Decrease in year	(1,542)	(36)	54,209	77,709	72	(116)	(476)	(4,874)	124,947	104,031
Balance at 31st March 2013	(46,494)	276	303,829	(483,292)	0	1,833	1,105	3,435	(219,308)	(285,494)

Usable Reserves 2011/12	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	Usable Reserves Total £'000
Balance at 31 March 2011	(6,990)	(12,091)	(3,742)	(46)	(200)	(2,568)	(1,480)	(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	0	2,568	0	1,092	(282,915)
Net (increase)/decrease before transfers to Earmarked Reserves	**(10,364)**	**0**	**(116)**	**0**	**0**	**2,568**	**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**	**0**	**2,568**	**0**	**1,092**	**(6,820)**
Balance at 31st March 2012	**(10,919)**	**(18,526)**	**(3,905)**	**0**	**(200)**	**0**	**(1,480)**	**(10,240)**	**(45,270)**

Unusable Reserves 2011/12	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	Unusable Reserves Total £'000	Total Reserves £'000
Balance at 31st March 2011	(50,019)	398	197,283	(828,163)	(72)	2,065	1,292	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	276,561
Other Comprehensive I&E	(9,283)	(243)	53,887	0	0	0	0	0	44,363	43,895
Total Comprehensive I&E	**(9,283)**	**(243)**	**53,887**	**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	2,622	282,915	0
Net (increase)/decrease before transfers to Earmarked Reserves	**5,067**	**(86)**	**52,337**	**267,162**	**0**	**(116)**	**288**	**2,622**	**327,276**	**320,456**
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in year	**5,067**	**(86)**	**52,337**	**267,162**	**0**	**(116)**	**288**	**2,622**	**327,276**	**320,456**
Balance at 31st March 2012	**(44,952)**	**312**	**249,620**	**(561,001)**	**(72)**	**1,949**	**1,581**	**8,309**	**(344,254)**	**(389,524)**

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.

2011/12 Gross Expenditure £'000	2011/12 Gross Income £'000	2011/12 Net Expenditure £'000		2012/13 Gross Expenditure £'000	2012/13 Gross Income £'000	2012/13 Net Expenditure £'000
			Service Analysis			
86,712	(81,849)	4,863	Central Services to the Public	7,400	(4,100)	3,300
11,787	(1,026)	10,761	Cultural and Related Services	9,316	(586)	8,730
25,447	(3,065)	22,382	Environment and Regulatory Services	26,108	(2,149)	23,959
18,552	(7,029)	11,523	Planning Services	18,249	(4,212)	14,037
268,487	(206,463)	62,024	Children's & Education Services	205,131	(151,742)	53,389
26,937	(3,480)	23,457	Highways & Transport Services	24,939	(1,826)	23,113
12,565	(24,472)	(11,907)	Housing Revenue Account (HRA)	17,010	(26,575)	(9,564)
164,995	0	164,995	HRA - exceptional item- self financing[1]	0	0	0
9,370	(1,216)	8,154	Other Housing Services[2]	85,017	(80,435)	4,582
87,656	(33,888)	53,768	Adult Social Care	92,718	(32,141)	60,577
4,594	(477)	4,117	Corporate & Democratic Core	2,975	(4,215)	(1,241)
7,566 [1]	(685)	6,881	Non-Distributed Costs	1,183	(47)	1,136
724,668	**(363,650)**	**361,018**	**Cost of Services**	**490,046**	**(308,028)**	**182,018**

2011/12 Net Expenditure £'000		Note	2012/13 Net Expenditure £'000
151,441	**Other Operating Expenditure**	9	91,538
(3,345)	**Financing and Investment Income and expenditure**	10	20,764
(232,553)	**Taxation and Non-Specific Grant Income**	11	(227,181)
276,561	**Deficit on Provision of Services**		67,139
(15,705)	Revaluation gains on non-current assets	12	(12,209)
6,421	Revaluation losses (chargeable to Revaluation Reserve) on non-current assets	12	701
(243)	(Surplus)/deficit on revaluation of available for sale assets	15	(36)
53,887	Actuarial (gain)/losses on pensions asset/liabilities	42	48,436
(466)	Other		0
43,894	**Other Comprehensive Income and Expenditure Statement- Deficit**		36,892
320,455	**Total Comprehensive Income and Expenditure Statement- Deficit**		104,031

[1] . £164,995k transferred to Department of Communities and Local Government in 2011/12 as part of HRA self financing
[2]. 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'.

31 March 2012 £'000		Note	31 March 2013 £'000	31 March 2013 £'000
	Long Term Assets			
886,649	Property, Plant & Equipment	12	835,634	
79,264	Investment Properties	13	78,809	
6,650	Intangible Assets	14	7,078	
4,688	Long Term Investments	15	4,724	
1,143	Long Term Debtors	15	1,117	
978,394				**927,362**
	Current Assets			
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	
117,056				**94,218**
	Current Liabilities			
(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)	
(69,501)				**(53,590)**
	Long Term Liabilities			
(355)	Long Term Creditors	15	(132)	
(18,005)	Private Finance Initiative (PFI)	38	(17,409)	
(313,678)	Long Term Borrowing [2]	15	(306,225)	
(249,620)	Liability to Defined Benefit Pension Scheme	42	(303,829)	
(54,766)	Capital Grants (receipts in advance)	34	(54,901)	
(636,424)				**(682,496)**
389,524	**Net Assets**			**285,494**
	Total Reserves			
(45,270)	Usable Reserves	22	(66,186)	
(344,254)	Unusable Reserves	23	(219,308)	
(389,524)				**(285,494)**

[2] £164,995k additional long term borrowing taken on to facilitate the HRA's self financing during 2011/12.

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.

2011/12 £'000		Note	2012/13 £'000
(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)
(129,550)	**Net cash flows from operating activities- inflow/(outflow)**	24	**32,540**
11,200	Investing activities	25	(49,874)
158,972	Financing activities	26	(5,038)
40,622	**Net increase/(decrease) in cash and cash equivalents**		**(22,372)**
5,057	Cash and cash equivalents at 1st April		45,679
45,679	**Cash and cash equivalents at 31st March**	18	**23,307**

NOTES TO THE STATEMENT OF ACCOUNTS

1. Accounting policies

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice (SeRCOP) 2012/13, 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.

i) Accruals of Expenditure and Income

Activity is accounted for in the year it takes place, not simply when cash is paid or received. In particular:

- 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.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

ii) Acquired and Discontinued Operations

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

iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature overnight from the Balance Sheet date.

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv) 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 an understanding of the Authority's financial performance.

v) Prior Period Adjustments

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.

vi) Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council has assessed the Minimum Revenue Provision (MRP) in accordance with the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Any charge is based on option 1 and option 3 of the guidance.

vii) Employee Benefits

Post Employment Benefits:

Employees of the Authority are members of one of the two following pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Bedford Borough Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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 Authority 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 Authority 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 - market value (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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 line in the Comprehensive Income and Expenditure Statement
  - **Expected return on assets**. The annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return, which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - **Gains and losses on settlements and curtailments.** The results of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, which is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 are charged to the Pension Reserve
  - **Contributions paid to the Fund**. Cash paid as the employer's contribution to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority 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:

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits:

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

viii) Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a

category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

The Authority holds two types of financial assets:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans of a material amount are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x) <u>Foreign Currency Translation</u>

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 Authority in terms of foreign currency transactions.

xi) <u>Contingent Assets</u>

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xii) <u>Contingent Liabilities</u>

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xiii) Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xiv) Heritage Assets

Any Tangible or Intangible Heritage Assets held by the Council are not of material financial value. They are therefore classified as property, plant and equipment and are not disclosed separately in the accounting statements.

xv) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi) Inventories and Long-term Contracts

Material inventories are valued in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvii) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Investment Properties that a Council decides to sell are not reclassified as held for sale but remain investment property, until the disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in

Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xviii) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority 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 its 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 Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority 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.

xix) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. [When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve].

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xx) Overheads and Support Services

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 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xxi) Non-current Assets Held for Sale

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

An asset is classified as 'held for sale' when it meets the following criteria:

- The asset (or disposal group) must be available 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.

Assets held for sale are not depreciated.

Right-to-Buy properties are not classified as assets held for sale due to the tenant's right to cancel the transaction up until actual exchange.

xxii) Private Finance Initiative (PFI) Schemes and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – 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)
- life-cycle 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.

xxiii) Property, Plant and Equipment

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 are classified as Property, Plant and Equipment.

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 Authority 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.

These 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 Authority's obligation to meet future rental payments.

The Authority sets a £2,000 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 (e.g. if an invoice is less than £2,000 but the expenditure is necessary to bring asset into use, this would be capitalised).

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (Existing Use Value – Social Housing (EUV-SH))
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment / Revaluation Losses

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is charged on fixed assets that have a finite useful life. 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.

Where a financially material item of Property, Plant and Equipment asset has major components valued at over £250,000 or over 20% of the total cost of the asset, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Right to Buy (RTB) Disposals

From 2012-2013 major changes to Right to Buy (RTB) discounts and how the pooling amount of local authorities' housing receipts are calculated came into effect. There are five deductions to be made to those receipts which are in the following priority: transaction costs, allowable debt, local authority share and Government share identified in the self financing determination, and the deductible buy back allowance.

Any receipts remaining after the five deductions listed above are then available for replacement stock and will be used for the Government's policy of replacing at a national level all additional dwellings sold as a result of the changes to discounts with new homes for affordable rent. Central Bedfordshire Council entered into an agreement, dated 31 August 2012, made under section 11(6) of the Local Government Act 2003, to retain these receipts. The Council must ensure that sufficient amounts are spent on social housing within 3 years such that the retained amounts constitute no more than 30% of the amount spent

xxiv) Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

xxv) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxvi) Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxvii) Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxviii) Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The qualification year for the first phase of the CRC scheme was 2008, prior to the formation of Central Bedfordshire Council and therefore the Authority was not required to participate in this stage of the scheme. Phase 2 of the CRC scheme commences in 2013/14 and the Authority will be required to participate in the scheme if it falls within the minimum qualification thresholds.

2. Accounting Standards Issued but not Adopted

Amendments to International Accounting Standard (IAS) 19 Employee Benefits 2011 have not been adopted in the 2012/13 CIPFA Code of Practice but will be adopted in the 2013/14 Code. The most notable changes include the introduction of new classes of components of defined pension benefits costs to be recognised in the financial statements, new recognition criteria for service posts related to pension and new recognition criteria for termination benefits. The Council will adopt the 2013/14 CIPFA Code from 1 April 2013 and the below table outlines projected 2013/14 IAS19 figures in the key areas impacted:

	2012/13	**2013/14 Projected**
	£000	**£000**
Current Service Cost	11,731	14,901
Interest on Obligation	27,722	30,187
Expected Return on Employer Assets	(16,228)	(16,553)
Total	**23,225**	**28,535**

The 2013/14 projected figures include an assumed 1% salary increase. The 2012/13 accounts will be retrospectively restated in 2013/14 where changes are material.

Amendments to International Accounting Standard (IAS) 1 Presentation of Financial Statements 2011 have not been adopted in the 2012/13 CIPFA Code of Practice but will be adopted in the 2013/14 Code. The Council will adopt the 2013/14 CIPFA Code from 1 April 2013 and as the changes are presentational, there will be no material impact on the amounts included within the financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority 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 degree of uncertainty regarding future levels of funding for local government. The Authority has determined that this uncertainty is not sufficient to provide any indication that assets of the Authority might be impaired beyond that which has been already considered according to account practices.

- The Authority has no deposits with Financial Institutions which are in administration and has no evidence at the Balance Sheet date to suggest any counter-parties of the Authority will enter administration.
- Although the Authority has a number of its Councillors on the Boards of external organisations, the Authority does not have a controlling influence of any of these organisations.
- As financially material assets are re-valued or attract capital expenditure, the Authority assesses these assets with a view to splitting them into their material components, where there may be a significant impact on how the asset is depreciated. Where the asset is not financially material or any component does not amount to over 20% of the asset value and £250,000, the asset is not split as any effect on depreciation is immaterial to the financial statements.
- Heritage assets held by the Authority are not financially material in value and therefore are not separately disclosed from Property, Plant and Equipment.
- Lease arrangements where the Authority is the lessee or lessor are assessed to determine whether the lease is a finance lease or an operating lease. Lease arrangements which are not financially material are all treated as operating leases.
- The Authority recognises various types of school assets as follows:
    - Community Schools are on the Balance Sheet as Central Bedfordshire Council has significant control of the asset and its service potential. The exception is when the asset is leased with CBC as the lessor. In these circumstances whether the asset is on the Balance Sheet or not is determined by IAS 17 (Leases).
    - Voluntary Controlled School buildings and land are not on the Balance Sheet as the Authority does not control the asset. The Exception is when there is an adjacent playing field owned by Central Bedfordshire. In this case the playing field is on the Authority’s Balance Sheet.
    - Voluntary Aided School buildings and land are off the Balance Sheet as the Authority does not control the asset.
    - Foundation School buildings and land are not on the Balance Sheet as the Authority does not control the asset.
    - Academies are off the Balance Sheet as the Authority does not control the asset. When a Community school converts to academy status, it will remain recognised in the Authority's accounts until a long term lease is signed.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities with the next financial year are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are valued by professional staff qualified by the Royal Institute of Chartered Surveyors (RICS). Nevertheless, there is an inherent element of subjectivity with any asset valuation.	The value of an asset and its estimated useful economic life determine the depreciation charged to the Comprehensive Income and Expenditure Statement. If the useful lives of all assets are overstated by 1 year, depreciation would increase by £1.4m.
Provisions on bad debt and arrears	Bad debt provisions are inherently estimates, based on past data. It is possible that the Authority may over or under provide for its bad debt.	If the provision for bad debt is incorrect, there would be an impact to the debtors balance on the balance sheet and the amount of provision charged to the Comprehensive Income and Expenditure Statement. A 1% increase in the bad debt provision would require a revenue charge of £33k.
Pensions Liability	There are a large number of variable factors used when calculating the future pension liability e.g. mortality ratios and future economic conditions. A Professional and independent actuary firm is used to estimate values within the Balance Sheet.	If any of the factors used to calculate the pension liability are incorrect, there would be an impact on the balance sheet and the Comprehensive Income and Expenditure Statement. A 1% increase in the pension liability would represent an increase of £3m charged to the Comprehensive Income and Expenditure Statement.
Others: • Accruals • Trading a/c's overheads • HRA proportion of pensions	• Actual amount differs from estimate	If incorrect, effect is mis-statement of values on the Balance Sheet / HRA and potential revenue impact. Any impact would not be material.

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 to indicate the impact of uncertainties where it is impractical to do so.

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 £'000	2012/13 £'000
Comprehensive Income & Expenditure Statement – Other Operating Expenditure Disposals of Non-Current Assets	Schools Converting to Academy Status	146,321	49,739

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 June 2013. 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 2013, 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 Authority which would need to be registered as events after the balance sheet date.

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 (MRR) and is legally required to set aside funds in this reserve annually. The MRR 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 MRR that has yet to be applied at 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.

2012/13	General Fund Balance	HRA Balance	Capital Receipt Reserve	Capital Grants Unapplied	Major Repairs Reserve	Schools	Movement unusable Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debits / credits to the Comprehensive Income and Expenditure Statement:							
Depreciation	(17,374)	(3,237)	-	-	-	-	20,611
Revaluation losses on Property, Plant and Equipment	(5,564)	(2,508)	-	-	-	-	8,072
Movement in the market value of investment properties	(633)	-	-	-	-	-	633
Amortisation of intangible assets	(507)	-	-	-	-	-	507
Capital grants and contributions applied	38,481	-	-	-	-	-	(38,481)
Revenue expenditure funded from capital under statute	(21,085)	-	-	-	-	-	21,085
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	(83,254)	(1,038)	-	-	-	-	84,292
Insertion of items not debits / credits to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	5,874	-	-	-	-	-	(5,874)
Capital expenditure charged against the General Fund and HRA balances	528	-	-	-	-	-	(528)
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	2,270	1,316	(3,586)	-	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,568	-	-	-	(2,568)
Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool	(360)	-	360	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credit to the HRA	3,237	-	-	-	(3,237)	-	-
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	116	-	-	-	-	-	(116)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefit debits / credits to the Comprehensive Income and Expenditure Statement	(19,788)	(1,063)	-	-	-	-	20,851
Employer's pensions contributions and direct payments to pensioners payable in	14,411	667					(15,078)

year							
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	475	-	-	-	-	-	(475)
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	4,874	-	-	-	-	-	(4.874)
Total Adjustments:	**(78,299)**	**(5,862)**	**(657)**	**-**	**(3,237)**	**-**	**88,057**

2011/12	**General Fund Balance**	**HRA Balance**	**Capital Receipt Reserve**	**Capital Grants Unapplied**	**Major Repairs Reserve**	**Schools**	**Movement unusable Reserve**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'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	-	-	-	-	-	(41,808)
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)
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	-	(914)	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,482	-	-	-	(3,482)
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 Statement are different from finance costs chargeable in the year in accordance with statutory requirements	116	-	-	-	-	-	(116)
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
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)	-	-	-	-	1,092	(267)
Total Adjustments:	**(133,485)**	**(153,090)**	**2,568**	**-**	**-**	**1,092**	**282,915**

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 2012/13.

	Balance 31/03/2011 £'000	Out 11/12 £'000	In 11/12 £'000	Balance 31/03/2012 £'000	Out 12/13 £'000	In 12/13 £'000	Balance 31/03/2013 £'000
Corporate							
Redundancy Reserve							
To cover future redundancy and related pension costs	2,117	(1,530)	2,742	3,329	(910)	750	3,169
Insurance Reserve							
To cover insurance costs based on actuarial assessments	3,059	0	1,162	4,221	(1,386)	503	3,338
Government Reform and Funds Reductions							
To address any unbudgeted implications of the Government's welfare reforms and reductions in the Early Intervention Grant.	0	0	0	0	0	1,693	1,693
Other Corporate Reserves							
Various reserves to develop the Council's business processes and ICT.	249	(249)	889	889	(794)	1,874	1,969
Total Corporate Reserves	**5,425**	**(1,779)**	**4,793**	**8,439**	**(3,090)**	**4,820**	**10,169**
Environment and Planning							
Regeneration Reserve							
Support for regeneration schemes.	492	0	0	492	(58)	0	434
Waste Management							
Funds set aside to contribute towards the waste service preparation Bedfordshire Energy and Recycling (BEaR) project.	0	0	0	0	0	449	449
Pre-Application Service Development							
To support technical expertise for Planning Performance Agreements.	0	0	200	200	(65)	153	288
Other Environmental Reserves							
Includes reserves to support open space development and community safety.	2,244	(1,279)	632	1,597	(237)	539	1,899
Total Environment and Planning Reserves	**2,736**	**(1,279)**	**832**	**2,289**	**(360)**	**1,141**	**3,070**
Children's Services							
School Specific Contingency							
Ringfenced Dedicated Schools Grant Funding	1,062	(162)	0	900	(92)	0	808

Other Dedicated Schools Grant Funding							
Grant funding held as reserve for schools	0	0	965	965	(920)	0	45
Early Intervention Grant Funding							
Grant funding received held as reserve	0	0	505	505	(505)	0	0
Looked After Children							
Funds set aside to provide for emerging budget issues in the review of the Council's Safeguarding role.	0	0	0	0	0	1,200	1,200
Other Children's Services							
Reserves to support Children's Services	250	(29)	1,200	1,421	(855)	443	1,009
Total Children's Services Reserves	**1,312**	**(191)**	**2,670**	**3,791**	**(2,372)**	**1,643**	**3,062**
Social Care, Health and Housing Reserves							
Learning Disabilities Campus Closure							
Reprovision of Learning Disabilities Services	744	(143)	0	601	(180)	0	421
Deregistration of Care Homes							
Costs associated with deregistration a national care home provider	583	(17)	0	566	(133)	0	433
Outcome Based Commissioning							
Project costs associated with efficiencies and service development.	0	0	347	347	(405)	3,125	3,067
Step Up / Step Down							
Grant funding reserved to fund a scheme to reduce unnecessary admissions to hospitals and support independent living.	0	0	674	674	(184)	0	490
Other Social Care Health and Housing Reserves							
Includes grant funding carried forward and funds set aside to fund Social Care initiatives	1,290	(84)	613	1,819	(1,342)	246	723
Total Social Care Health and Housing Reserves	**2,617**	**(244)**	**1,634**	**4,007**	**(2,244)**	**3,371**	**5,134**
Total General Fund Earmarked Reserves	**12,090**	**(3,493)**	**9,929**	**18,525**	**(8,066)**	**10,975**	**21,434**
Housing Revenue Account (HRA) Earmarked Reserves							
Business Process Re-engineering	47	(47)	0	0	0	0	0
Sheltered Housing Re-Provision	0	0	0	0	0	8,653	8,653
Strategic Reserve	0	0	0	0	0	1,284	1,284
Total HRA Earmarked Reserves	**47**	**(47)**	**0**	**0**	**0**	**9,937**	**9,937**

9. Other Operating Expenditure

	2011/12 £'000	2012/13 £'000
Payments of precepts to Parishes	8,607	9,301
Levies payable	673	686
Payments to Housing Capital Receipts Government Pool	644	360
Loss on Disposal of non-current Assets - non-current tangible	141,517	80,701
Trading Accounts	0	490
Total	**151,441**	**91,538**

10. Financing and Investment Income and Expenditure

	2011/12 £'000	2012/13 £'000
Interest payable on debt	5,703	9,238
Interest element of finance leases (lessee)	77	60
Interest payable on PFI unitary payments	1,724	1,578
Pension interest costs	28,832	27,722
Expected return on pension assets	(20,991)	(16,228)
Interest and Investment Income	(1,125)	(986)
Changes in fair value of investment properties	(16,246)	633
Gain on disposals of investment properties	425	0
Rentals received on investment properties	(2,211)	(1,979)
Expenses incurred on investment properties	467	726
Total	**(3,345)**	**20,764**

11. Taxation and Non-Specific Grant Income

	2011/12 £'000	2012/13 £'000
Council Tax income	(136,659)	(137,489)
National Non-Domestic Rates (NNDR)	(38,638)	(47,069)
Revenue Support Grant (RSG) and non-ring fenced government grants	(15,145)	(4,142)
Recognised capital grants and contributions	(42,111)	(38,481)
Total	**(232,553)**	**(227,181)**

12. Property, Plant and Equipment: Movements on balances

2012/13	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)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:											
At 1 April 2012	**230,200**	**77, 558**	**393,415**	**18,297**	**1,121**	**417**	**197,537**	**1,956**	**1,997**	**41,905**	**964,403**
Reclassifications following reconciliation	73,355	(73,356)	(5,918)	(60)	0	0	0	0	0	(722)	**(6.701)**
Additions	6,645	5	14,090	618	0	0	20,676	39	0	9,643	**51,716**
Revaluation inc/(dec) rec in Revaluation Reserve	(136)	123	11,514	0	0	0	0	0	0	0	**11,501**
Revaluation inc/(dec) rec in surplus/deficit on provision of services	(2,529)	21	(4,713)	0	0	0	0	0	(613)	0	**(7,834)**
De-recognition - disposals	(1,038)	0	(81,015)	(305)	0	0	(91)	0	0	(4,066)	**(86,515)**
Assets reclass (to)/from Assets under Construction	0	0	5,648	29	0	0	19,022	0	0	(25,105)	**(406)**
Assets reclassified (to)/from Held for Sale	0	0	(3,097)	(5)	0	0	0	0	(75)	0	**(3,177)**
Accumulated depreciation w/o due to revaluation	(3,156)	(57)	(3,214)	0	0	0	0	0	0	0	**(6,427)**
Other Movements in cost or valuation	535	0	(535)	0	0	0	0	0	0	0	**0**
As at 31st March 2013	**303,876**	**4,294**	**326,175**	**18,574**	**1,121**	**417**	**237,144**	**1,995**	**1,309**	**21,655**	**916,560**
Accumulated depreciation and impairment:											
At 1st April 2012	**0)**	**(49)**	**(27,760)**	**(11,792)**	**(224)**	**(400)**	**(37,447)**	**(3)**	**(78)**	**0**	**(77,753)**
Reclassifications following reconciliation	(5)	6	6,546	67	0	0	0	0	0	0	**6,614**
Depreciation charge in year	(3,158)	(79)	(8,737)	(1,750)	(224)	(17)	(6,600)	0	(31)	0	**(20,596)**
De-recognition - disposals	0	0	4,268	65	0	0	16	0	0	0	**4,349**
Assets reclassified (to)/from Held for Sale	0	0	51	2	0	0	0	0	7	0	**60**
Accumulated depreciation w/o due to revaluation	3,156	57	3,187	0	0	0	0	0	0	0	**6,400**
As at 31 March 2013	**(7)**	**(65)**	**(22,445)**	**(13,408)**	**(448)**	**(417)**	**(44,031)**	**(3)**	**(102)**	**0**	**(80,926)**
Net book value:											
at 31 March 2012	230,200	77,509	365,655	6,505	897	17	160,090	1,953	1,919	41,905	886,650
at 31 March 2013	**303,869**	**4,229**	**303,730**	**5,166**	**673**	**0**	**193,113**	**1,992**	**1,207**	**21,655**	**835,634**

Net book value as at 31 March 2012 is reduced by £86k in 2012/13 due to reclassifications following a detailed reconciliation of asset register.

2011/12 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)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation:											
At 1 April 2011	**222,788**	**75,013**	**528,514**	**17,590**	**1,121**	**417**	**186,995**	**1,961**	**1,997**	**30,466**	**1,066,862**
Additions	4,766	0	9,929	1,216	0	0	10,421	0	0	13,028	**39,360**
Revaluation inc/(dec) rec in Revaluation Reserve	(1,731)	407	10,609	0	0	0	0	0	0	0	**9,285**
Revaluation inc/(dec) rec in surplus/deficit on provision of services	7037	2978	(7,693)	0	0	0	0	0	0	0	**2,322**
De-recognition - disposals	(394)	0	(145,637)	(509)	0	0	0	(5)	0	0	**(146,545)**
De-recognition - other	0	0	0	0	0	0	0	0	0	(1,243)	**(1,243)**
Assets reclass (to)/from Assets under Construction	0	0	225	0	0	0	121	0	0	(346)	**0**
Assets reclassified (to)/from Held for Sale	0	0	(2,532)	0	0	0	0	0	0	0	**(2,532)**
Accumulated depreciation w/o due to revaluation	(2,266)	(840)	0	0	0	0	0	0	0	0	**(3,106)**
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0	**0**
As at 31 March 2012	**230,200**	**77,558**	**393,415**	**18,297**	**1,121**	**417**	**197,537**	**1,956**	**1,997**	**41,905**	**964,403**
Accumulated depreciation and impairment:											
At 1 April 2011	**0**	**(94)**	**(21,062)**	**(9,776)**	**0**	**(380)**	**(30,899)**	**(3)**	**(45)**	**0**	**(62,259)**
Depreciation charge in year	(2,266)	(795)	(10,960)	(2,113)	(224)	(20)	(6,548)	0	(33)	0	**(22,959)**
Dep w/o to the Revaluation Reserve	2,266	840	0	0	0	0	0	0	0	0	**3,106**
De-recognition - disposals	0	0	4,166	97	0	0	0	0	0	0	**4,263**
Assets reclassified (to)/from Held for Sale	0	0	96	0	0	0	0	0	0	0	**96**
Accumulated depreciation w/o due to revaluation	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**
As at 31 March 2012	**0**	**(49)**	**(27,760)**	**(11,792)**	**(224)**	**(400)**	**(37,447)**	**(3)**	**(78)**	**0**	**(77,753)**
Net book value:											
at 31 March 2011	222,788	74,919	507,452	7,814	1,121	37	156,096	1,958	1,952	30,466	1,004,603
at 31 March 2012	**230,200**	**77,509**	**365,655**	**6,505**	**897**	**17**	**160,090**	**1,953**	**1,919**	**41,905**	**886,650**

Depreciation:

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

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

Capital Commitments:

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £2.89m, similar commitments at 31 March 2012 were £9.163m. The major commitments are:

- Greenleas School - £1.047m
- All Saints Academy- £0.789m
- A5/M1 Link road - £1.053m

Effects of Changes in Estimates:

In 2012/13, 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 2013. 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	Infra-structure	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical costs	0	0	0	5,165	673	191,811	1,991	0	0	199,640
Valued at fair value as at:										
31 March 2013	303,870	4,229	303,731	0	0	0	0	1,206	21,655	634,691
31 March 2012	230,200	77,509	365,655	0	0	0	0	1,919	41,905	717,188
31 March 2011	222,051	74,919	113,511	0	0	0	0	1,953	30,466	442,900
31 March 2010	737	0	393,941	0	0	0	0	0	0	394,678
Total cost or valuation	**303,870**	**4,229**	**303,731**	**5,165**	**673**	**191,811**	**1,991**	**1,206**	**21,655**	**834,331**

Heritage Assets:

The council does not have any financially material Heritage assets, therefore they are not separately disclosed.

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:

	2011/12 £'000	2012/13 £'000
Rentals received on investment properties	(2,211)	(1,979)
Direct operating expenses arising from investment properties	467	726
Net (gain) for fair value adjustment	**(1,744)**	**(1,253)**

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:

	2011/12 £'000	2012/13 £'000
Balance at start of the year	**63,350**	**79,358**
Enhancement	97	84
Disposals	(429)	0
Net gain/(losses) from fair value adjustment	16,246	(633)
Balance at year end	**79,264**	**78,809**

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 hardware within 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 are amortised on a straight-line basis. The amortisation of £0.5m charged to revenue in 2012/13 (£1.5m 2011/12) 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:

	2011/12 £'000	2012/13 £'000
Balance at start of the year		
Gross carrying amounts	12,210	14,615
Accumulated amortisation	(6,466)	(7,965)
Net carrying amount at start of year	**5,744**	**6,650**
Purchases	1,415	527
From Assets under construction	1,024	408
Disposals	(34)	0
Reversals of past impairment losses written back to the surplus/(deficit) on the provision of services:		
Amortisation for the period	(1,499)	(507)
Net carrying amount at the year end	**6,650**	**7,078**
Comprising:		
Gross carrying amounts	14,615	15,550
Accumulated amortisation	(7,965)	(8,472)
Total	**6,650**	**7,078**

There are no items of capitalised software that are individually material to the financial statements. No intangible assets were internally generated.

15. Financial Instruments

Categories of Financial Instruments:

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

	2011/12 Long term £'000	2011/12 Current £'000	2012/13 Long term £'000	2012/13 Current £'000
Investments:				
Loans and receivables	4,688	12,796	4,724	20,118
Available for sale financial assets	312	0	276	0
Total Investments	**5,000**	**12,796**	**5,000**	**20,118**
Debtors:				
Loans and receivables	1,143	40,232	1,117	39,741
Total Debtors	**1,143**	**40,232**	**1,117**	**39,741**
Borrowings:				
Financial liabilities at amortised cost	(313,678)	(5,038)	(306,225)	(8,792)
Total Borrowing	**(313,678)**	**(5,038)***	**(306,225)**	**(8,792)***
Other long term liabilities:				
PFI and finance lease liabilities	(18,005)	0	(17,409)	0
Liability related to defined benefit pension scheme	(249,620)	0	(303,822)	0
Total other long term liabilities	**(267,625)**	**0**	**(321,231)**	**0**
Creditors:				
Financial liabilities carried at contract amount	0	(51,137)	0	(33,850)
Finance Leases - fleet vehicles	0	(16)	0	0
Finance Leases - multi functional device printers	(355)	(371)	(132)	(371)
Total creditors	**(355)**	**(51,524)**	**(132)**	**(34,221)**
Grand total	**(575,515)**	**(3,534)**	**(621,471)**	**16,846**

* includes accrued interest (2011/12 comparable £6,344k)

Cash and Cash Equivalents have not been including in the above table as they are disclosed separately in note 18.

Income, Expense, Gains and Losses:

2012/13	Financial liabilities at amortised cost £'000	Financial Asset loans & received £'000	Financial Assets available for sale £'000	Total £'000
Interest expense	9,432	0	0	9,432
Total expense in (surplus)/deficit on the provision of services	**9,432**	**0**	**0**	**9,432**
Interest income	0	(731)	(256)	(987)
Net (gain)/loss for the year	**9,432**	**(731**	**(256)**	**8,445**

2011/12	Financial liabilities at amortised cost £'000	Financial Asset loans & received £'000	Financial Assets available for sale £'000	Total £'000
Interest expense	5,703	0	0	5,703
Total expense in (surplus)/deficit on the provision of services	**5,703**	**0**	**0**	**5,703**
Interest income	0	(882)	(243)	(1,125)
Total income in (surplus)/deficit on the provision of services	**0**	**(882)**	**(243)**	**(1,125)**
Net (gain)/loss for the year	**5,703**	**(882)**	**(243)**	**4,578**

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:

	2011/12 Carrying amount £'000	2011/12 Fair Value £'000	2012/13 Carrying amount £'000	2012/13 Fair Value £'000
Financial Liabilities	(320,022)[3]	(350,829)	(315,017)[4]	(357,990)
Long term creditors	(355)	(355)	(132)	(132)

	2011/12 Carrying amount £'000	2011/12 Fair Value £'000	2012/13 Carrying amount £'000	2012/13 Fair Value £'000
Loans and receivables	17,484	17,484	24,841*	24,841*
Long term debtors	1,143	1,143	1,117	1,117

*excludes cash equivalents.

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.

[3] (£5,038k) short term borrowing + (£313,678k) long term borrowing + (£1,306k) interest accrual = (£320,022k)
[4] (£7,557k) short term borrowing + (£306,225k) long term borrowing + (£1,235k) interest accrual = (£315,017k)

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

The Council held £7.4m in a Call Account with Lloyds on 31 March 2013 which has been excluded from the Loans and Receivables above, as it is considered a Cash Equivalent.

16. Inventories

The Council does not hold any inventory of financially material value.

17. Debtors

	2011/12 £'000	2012/13 £'000
Central government bodies	11,380	14,224
Other Local Authorities	6,308	3,562
NHS bodies	2,577	2,371
Public corporations and trading funds	3,453	6,770
Other entities and individuals	34,844	24,439
Impairment allowance for uncollectable debts	(2,942)	(3,274)
Total	**55,620**	**48,092**

18. Cash and Cash Equivalents

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

	2011/12 £'000	2012/13 £'000
Bank current accounts	35,875	15,905
Cash equivalents - liquid short term investment (overnight)	9,804	7,402
Total Cash and Cash Equivalents	**45,679**	**23,307**

19. Assets Held for Sale

	2011/12 £'000	2012/13 £'000
Balance outstanding at start of year	**855**	**2,961**
Assets newly classified as held for sale:		
Property, Plant & Equipment	2,961	3,117
Revaluation gains	0	7
Impairment losses	0	(245)
Assets declassified as held for sale:		
Property, Plant & Equipment	(525)	0
Assets sold	(330)	(3,117)
Other movements	0	(23)
Balance outstanding at year end	**2,961**	**2,700**

20. Creditors

	2011/12 £'000	2012/13 £'000
Central government bodies	(8,323)	(1,869)
Other Local Authorities	(13,088)	(4,067)
NHS bodies	(332)	(104)
Public corporations and trading funds	(7,443)	(1)
Other entities and individuals	(22,868)	(30,755)
Finance leases - fleet vehicles	(16)	(16)
Finance leases - multi functional devices printers	(371)	(371)
Total	**(52,441)**	**(37,183)**

21. Provisions

	Outstanding legal cases £'000	Insurance Provision £'000	Other provisions £'000	Total £'000
Balance outstanding at start of year	**(478)**	**(2,769)**	**(466)**	**(3,713)**
Additional provisions made in year	(50)	(1,464)	(848)	(2,363)
Amounts used in year	190	1,183	81	1,454
Unused amounts reversed in year	115	114	212	441
Balance outstanding at year end	**(223)**	**(2,936)**	**(1,021)**	**(4,180)**

Outstanding Legal Cases:

The Council provides for specific ongoing legal cases including contractual claims and disputed charges. Details of legal cases are not published as part of the statement of accounts to protect confidentiality.

Insurance Provision:

The Council has a number of injury and compensation claims in progress 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.

The Insurance Provision also includes an amount for payments to Municipal Mutual Insurance (MMI) Limited. The company is in administration and under the Scheme of Arrangement; the company is able to trigger a claw back of payments made to Local Authorities in the event that it is unable to meet all the claims against it. In 2012/13 this scheme was triggered. As a result payments will therefore be due to MMI in future years and an estimate of this has been provided for.

Other Provisions:

Other provisions relate to Local Land Charges and disputed payments relating to the provision of Social Care.

22. Usable Reserves

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

23. Unusable Reserves

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

	2011/12 £'000	2012/13 £'000
Revaluation Reserve (a)	(44,952)	(46,494)
Available for Sale Financial Instruments Reserve (b)	312	276
Capital Adjustment Account (c)	(561,001)	(483,292)
Financial Instruments Adjustment Account (d)	1,949	1,833
Pension Reserve (e)	249,620	303,829
Deferred Capital Receipts (f)	(72)	0
Collection Fund Adjustment Account (g)	1,581	1,105
Accumulating Compensated Absences Account (i)	8,309	3,435
	(344,254)	**(219,308)**

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.

	2011/12 £'000	2012/13 £'000
Balance at start of year	**(50,019)**	**(44,952)**
Upward revaluation of assets	(15,704)	(12,209)
Downward revaluation of assets & impairment losses not charged to the (surplus) / deficit on the provision of services	6,421	709
(Surplus) / deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	(9,284)	(11,500)
Difference between fair value depreciation and historical cost depreciation	1,000	1,086
Accumulated gains on assets sold or scrapped	13,351	8,872
Amount written off to the Capital Adjustment Account	14,351	9,958
Balance at year end	**(44,952)**	**(46,494)**

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.

	2011/12 £'000	2012/13 £'000
Balance at start of year	**398**	**312**
Upward revaluation of investments	13	0
Downward revaluation of investments not charged to the (surplus) / deficit on the provision of services	(99)	(36)
Balance at year end	**312**	**276**

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.

	2011/12 £'000	2012/13 £'000
Balance at 1st April	**(828,163)**	**(561,001)**
Reversal of items relating to capital expenditure debits/credits to Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	22,958	20,637
Revaluation losses on Plant, Property & Equipment	13,594	9,323
Amortisation of intangible assets	1,499	507
Revenue expenditure funded from capital under statute	23,890	21,085
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	137,395	85,283
HRA self financing	164,995	0

Revaluations reversing previous revaluation losses	(15,761)	(1,251)
	348,570	135,584
Adjusting amounts written out of the Revaluation Reserve	(8,947)	(9,958)
Net written out amount of the cost of non-current assets consumed in the year	339,623	125,626
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(3,780)	(3,665)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,805)	0
Capital grants and contribution's credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(41,808)	(38,481)
Statutory provision for the financial of capital investment charged against the General Fund and HRA balances	(5,534)	(5,874)
Capital expenditure charged against the General Fund and HRA balances	(1,288)	(530)
	(56,215)	(48,550)
Movement in the market value of Investment Properties debits / credits to the Comprehensive Income and Expenditure Statement	(16,246)	633
Balance at 31 March	**(561,001)**	**(483,292)**

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.

	2011/12 £'000	2012/13 £'000
Balance at start of year	**2,065**	**1,949**
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(116)	(116)
Balance at year end	**1,949**	**1,833**

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.

	2011/12 £'000	2012/13 £'000
Balance at start of year	**197,282**	**249,620**
Actuarial gains or losses on pensions assets and liabilities	55,218	48,436
Reversal items relating to retirement benefits debited / credited to the (surplus) / deficit on the provision of services in the Comprehensive Income and Expenditure Statement	14,519	20,851
Employers pensions contributions and direct payments to pensions payable in year	(17,399)	(15,078)
Balance at year end	**249,620**	**303,829**

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.

	2011/12 £'000	2012/13 £'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	72
Balance at year end	**(72)**	**(0)**

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.

	2011/12 £'000	2012/13 £'000
Balance at start of year	**1,292**	**1,581**
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	289	(476)
Balance at year end	**1,581**	**1,105**

h) 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.

	2011/12 £'000	2012/13 £'000
Balance at start of year	**5,687**	**5,034**
Settlement or cancellation of accrual made at the end of the preceding year	(5,687)	(5,034)
Balance at year end	**8,309**	**3,435**
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	2,622	(1,599)

The balance at the end of 2011/12 has been adjusted for in 2012/13 due to a correction to the annual leave accrual related to the prior year.

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2011/12 £'000	2012/13 £'000
Surplus / (deficit) on the provision of services	(276,561)	(67,139)
Depreciation and impairment	36,554	26,175
Amortisation	1,499	507
Movement in Pension Liability	2,880	(5,773)
Carrying amount of non-current assets and non-current assets held for sale, sold of de-recognised	142,434	84,569
Other non-cash items charged to the net surplus on the provision of services	(1,987)	5,235
(Increase) / decrease in debtors	7,772	7,527
(Increase) / decrease in creditors	(3,807)	15,258
	184,345	133,498
Adjustment for items that are Investing and Financial activities		
Interest and investment income	4,694	8,253
Proceeds from Disposal of assets	(917)	(3,591)
Capital Grants Credited to surplus or deficit on the provision of services	(42,111)	(38,481)
	(38,334)	(33,819)
Net cash flows from operating activities	**(129,550)**	**32,540**

25. Cash Flow Statement - Investing Activities

	2011/12 £'000	2012/13 £'000

Purchase of property, plant and equipment, investment properties and intangible assets	(41,799)	(52,326)
Purchase of short term and long term investments	1,177	(7,322)
Other payments for investing activities	(5,703)	(9,238)
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	917	3,591
Capital grants	51,758	35,521
Proceeds from short term and long term investments	28,740	986
Other receipts from investing activities	(23,890)	(21,085)
Net cash flows from investing activities	**11,200**	**(49,874)**

26. Cash Flow Statement - Financing Activities

	2011/12 £'000	2012/13 £'000
Other receipts from financing activities	9	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	(448)	0
Repayments of short term and long term borrowing	159,411	(5,038)
Other payments for financing activities	0	
Net cash flows from financing activities	**158,972**	**(5,038)**

27. 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	Corporate Services[5]	Social Care, Health & Housing	Sustainable Communities	Corporate Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2012/13						
Directorate Net Budget	32,914	29,017	55,586	47,421	14,011	178,949
Directorate expenditure:						
Employee Expenses	22,854	55,283	17,167	19,591	2,790	117,685
Other Service Expenses	43,983	102,678	68,754	39,478	11,634	266,527
Total Expenditure	66,837	157,961	85,921	59,069	14,424	384,212

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

Directorate Income: Fees, charges & other service income	(35,300)	(127,207)	(33,128)	(13,112)	(5,495)	(214,242)
Net Costs	31,537	30,754	52,793	45,957	8,929	169,970
Transfers to and (from) reserves	3,138	(1,526)	1,068	621	5,150	8,451
Actual after Reserve Transfers						**178,421**
Surplus reported to management						**528**
2011/12						
Directorate Net Budget	35,623	26,458	55,701	50,669	12,798	181,249
Directorate expenditure:						
Employee Expenses	25,126	24,173	17,087	19,837	2,639	88,862
Other Service Expenses	44,756	91,639	69,369	41,465	11,826	259,053
Total Expenditure	69,882	115,812	86,456	61,302	14,465	347,915
Directorate Income: Fees, charges & other service income	(37,838)	(89,046)	(33,844)	(12,370)	(4,041)	(177,139)
Net Costs	32,044	26,765	52,612	48,932	10,425	170,776
Transfers to and (from) reserves	2,259	1,082	2,147	(27)	4,518	9,979
Actual after Reserve Transfers						**180,755**
Surplus reported to management						**494**

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.

	2011/12 £'000	2012/13 £'000
Net Expenditure in Directorate Analysis	**180,755**	**178,421**
Items not included in Management reporting but included in Comprehensive Income and Expenditure Statement Net Cost of Services:		
HRA Self Financing (Exceptional Item)	164,995	0
HRA Balance	(11,907)	(9,564)
Depreciation, Amortisation and Impairment	29,091	23,448
Pensions charged to services	(6,150)	(5,728)
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	23,890	21,085
Accrual for Accumulated Absences	2,622	(4,874)
	202,541	24,367

Items included in Management reporting but not included in Comprehensive Income and Expenditure Statement Net Cost of Services:		
Earmarked Reserve Transfers	(9,979)	(8,451)
Interest Payable/Receivable	(6,379)	(5,912)
Statutory Provision for Financing Capital Investment	(5,534)	(5,874)
Other Movements	(386)	(533)
	(22,278)	(20,770)
Cost of Services in Comprehensive Income and Expenditure Statement	**361,018**	**182,018**

Reconciliation to subjective analysis:

	Directorate analysis	Amounts not reported to management	Amounts not included in Income & Exp	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2012/13						
Fee, charges & other service income	(171,762)			(169,694)		(171,762)
Interest & Investment Income (note 10)	(987)		987	0	(987)	(987)
Income from Council Tax (note 34)				0	(137,489)	(137,489)
Government grants and contributions (note 34)	(41,493)			(41,493)	(89,692)	(131,185)
Expected return on pension assets (note 10)				0	(16,228)	(16,228)
Investment properties value, expenses and rents				0	(620)	(620)
Total Income	**(214,242)**	**0**	**987**	**(213,255)**	**(245,016)**	**(458,271)**
Employee expenses	117,685			117,685		117,685
Other service expenses	268,079	919	(14,858)	254,140	490	254,630
Support service recharges				0		0
Depreciation, amortisation and impairment		23,448		23,448		23,448
Interest payments (note 10)	6,899		(6,899)	0	10,876	10,876
Pension interest costs (note 10)				0	27,722	27,722
Precepts and Levies (note 9)				0	9,987	9,987
Payment to Housing Capital Receipts Pool (note 9)				0	360	360
Gain or loss on disposal of fixed assets (note 9)				0	80,701	80,701
Total Expenditure	**392,663**	**24,367**	**(21,757)**	**395,273**	**130,136**	**525,409**
(Surplus) / deficit on the provision of services	**178,421**	**24,367**	**(20,770)**	**182,018**	**(114,880)**	**67,139**

	Directorate analysis	Amounts not reported to management	Amounts not included in Income & Exp	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2011/12						
Fee, charges & other service income	(133,903)			(133,903)		(133,903)
Interest & Investment Income (note 10)	(1,125)		1,125		(1,125)	(1,125)
Income from Council Tax (note 34)					(136,659)	(136,659)

Government grants and contributions (note 34)	(42,111)			(42,111)	(95,894)	(138,005)
Expected return on pension assets (note 10)					(20,991)	(20,991)
Investment properties value, expenses and rents					(17,565)	(17,565)
Total Income	**(177,139)**	**0**	**1,125**	**(176,014)**	**(272,234)**	**(448,248)**
Employee expenses	88,862			88,862		88,862
Other service expenses	261,528	173,450	(15,899)	419,079		419,079
Depreciation, amortisation and impairment		29,091		29,091		29,091
Interest payments (note 10)	7,504		(7,504)		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	**357,894**	**202,541**	**(23,403)**	**537,032**	**187,777**	**724,809**
(Surplus) / deficit on the provision of services	**180,755**	**202,541**	**(22,278)**	**361,018**	**(84,457)**	**276,561**

28.Trading Operations

The Council has established a number of 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:

		2011/12 £'000	£'000	2012/13 £'000	£'000
Car Parks: Parking management aims to support the local economy and facilitate development growth within Central Bedfordshire area.	Turnover	(1,302)		(1,336)	
Cumulative spend over 3 years: £3,338k	Expenditure	1,128		1,160	
	(Surplus)/deficit		**(174)**		**(175)**
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	(1,371)		(1,507)	
Cumulative spend over 3 years: £4,131k	Expenditure	1,369		1,825	
	(Surplus)/deficit		**(2)**		**318**
Leighton Buzzard Theatre: A theatre and cinema venue based in Leighton Buzzard.	Turnover	(172)		(210)	
Cumulative spend over 3 years: £1,024k	Expenditure	347		443	
	(Surplus)/deficit		**175**		**233**
Building Control: The processing of building regulation applications, site inspections and related fee earning activities.	Turnover	(601)		(672)	
Cumulative spend over 3 years: £1,741k	Expenditure	555		598	
	(Surplus)/deficit		**(46)**		**(74)**
Community Buildings: Rental and other income, and expenditure relating to Beecroft Centre in Dunstable.	Turnover	(3)		(4)	
Cumulative spend over 3 years: £0k	Expenditure	0		4	

	(Surplus)/deficit		**(3)**		**0**
Community Leases/Licenses: Rental and other income, and expenditure relating to various land and property. Cumulative spend over 3 years: £96k	Turnover Expenditure **(Surplus)/deficit**	(29) 22	**(7)**	(43) 40	**(3)**
Depots & Storage Facilities: Rental and other income, and expenditure relating to various depots and storage facilities. Cumulative spend over 3 years: £23k	Turnover Expenditure **(Surplus)/deficit**	(57) (58) [6]	**(115)**	(36) 0	**(36)**
Criminal Records Bureau: An administration service to Central Bedfordshire Council, Schools and other external organisations. Cumulative spend over 3 years: £453k	Turnover Expenditure **(Surplus)/deficit**	(200) 150	**(50)**	(127) 123	**(4)**
HEART supply Agency: A supply agency of teachers and support staff to Schools. Cumulative spend over 3 years: £483k	Turnover Expenditure **(Surplus)/deficit**	(95) 118	**22**	0 0	**0**
Schools HR: A provision of HR services for schools. Cumulative spend over 3 years: £1,488k	Turnover Expenditure **(Surplus)/deficit**	(451) 575	**124**	(128) 128	**0**
Schools Traded Services: A service for schools providing expertise on a number of school issues i.e. financial advice, financial software support, LTA administration and subscription administration. Cumulative spend over 3 years: £1,899k	Turnover Expenditure **(Surplus)/deficit**	(666) 517	**(149)**	(46) 43	**(3)**
Silsoe Horticultural Centre: A horticultural centre which includes various activities for customers to participate in, a tearoom, the sale of plant and vegetables, and also hosts events. Cumulative spend over 3 years: £703k	Turnover Expenditure **(Surplus)/deficit**	(30) 221	**191**	(22) 256	**234**
Ludun Sheltered Placement: A supported workshop involved with wood machinery, wood treatment and picture framing. Cumulative spend over 3 years: £1,263k	Turnover Expenditure **(Surplus)/deficit**	(64) 73	**9**	0 0	0
Net (surplus) / deficit on trading operations			**(26)**		**490**

29. 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 2012/13 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

[6] The (£58k) total expenditure includes a (£59k) rebate, hence negative expenditure.

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:	2011/12 £'000	£'000	2012/13 £'000	£'000
Funding provided to the pooled budget:				
Central Bedfordshire Council	(426)		(448)	
Bedford Borough Council	(268)		(291)	
NHS Bedfordshire	(1,317)		(1,435)	
Total Funding		**(2,011)**		**(2,174)**
Expenditure met from the pooled budget:				
Luton Borough Council	0		0	
Central Bedfordshire Council	2,011		2,174	
Bedford Borough Council	0		0	
NHS Bedfordshire	0			
Total Expenditure		**2,011**		**2174**

30. Members' Allowances

The Council paid, during the year, the following amounts to the parties outlined:

	2011/12 £'000	2012/13 £'000
Salaries	986	942
Allowances	6	3
Employers National Insurance	76	72
Pension Contributions	64	77
Expenses	126	130
Total	**1,258**	**1,224**

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	181,331	1,062	182,393	39,705	222,098
2011/12	184,213	897	185,110	40,110	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
Total **2012/13** **2011/12**	 **867,578** **866,510**	 **6,269** **94,511**	 **873,848** **961,021**	 **190,498** **188,686**	 **1,064,345** **1,149,707**

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 1st August 2011, prior to which she held another role in the Authority. As at 31st 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:

	2011/12 Number of permanent employees	2012/13 Number of permanent employees	2011/12 Number of temporary employees and interim managers	2012/13 Number of temporary employees and interim managers
£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
Total	**199**	**154**	**41**	**73**

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
Total	**206**	**74**	**2,943**	**1,257**

32. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims:

	2011/12 £'000	2012/13 £'000
Fees payable to Audit Commission with regard to external audit services carried out by appointed auditor for the year	308	185
Fees payable to Audit Commission for certification of grant claims and returns for the year	85	55
Less: Rebates received from the Audit Commission	**(25)**	**(20)**
Total	**368**	**220**

33. Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements were £13,042k at 31 March 2013 (£10,240k 2011/12), which is carried forward into 2013/14.

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 a 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 2012/13 was used are as follows:

Schools budgets funded from DSG:	**Central Expenditure £'000**	**Individual Schools Budgets £'000**	**2012/13 £'000**
Final DSG for 2012/13			105,215
Brought forward from 2011/12			1,849
Carry forward to 2013/14 agreed in advance			0
Agreed budgeted distribution in 2012/13	11,343	94,134	107,064
Actual central expenditure	11,432	0	0
Actual ISB deployed to Schools	0	95,041	0
Council contribution for 2012/13	0	0	262
Carry forward to 2013/14	**(89)**	**(907)**	**853**
Reserves:			
Brought forward from 2011/12			1,849
Spend in 2012/13			(1,332)
Balance			517
Increase from DSG under spend			336
Balance at year end 2012/13			**853**
Net increase/(decrease) on reserves			(996)

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

Credited to taxation and non specific grant income:		**2011/12 £'000**		**2012/13 £'000**
Council Tax		(136,659)		(137,489)
NNDR		(38,638)		(47,069)
RSG and non-ring fenced govt grants		(15,145)		(4,142)
Recognised capital grants and contributions				
Section 106	(1,793)		(2,315)	
Section 278	(1,580)		(2,794)	
Devolved Formula Capital	(2,208)		(1,300)	
Sure Start	0		0	
University Technology College	0		(6,620)	
Disabled Facilities Grant	0		(781)	
Standards Fund	(3,825)		0	
Structural Maintenance	0		(3,920)	
Modernisation	(1,477)		0	
Integrated schemes	(5,326)		(1,431)	
All Saints Academy funding	(7,565)		(6,775)	
Basic Needs Grant	(2,132)		(4,348)	
Schools Capital Maintenance	(2,617)		(4,358)	
Growth Area Funding	(6,889)		0	
NHS Campus Closure	(1,803)		(1,211)	
Community Development - Dunstable	(1,686)		0	
Others (individually less than £1m)	(3,210)		(2,627)	
Total		(42,111)		(38,481)
Total		**(232,553)**		**(227,181)**

Credited to services:	**2011/12 £'000**	**2012/13 £'000**
Dedicated Schools Grant	(143,620)	(105,477)
Housing Benefit Subsidy	(73,446)	(77,366)
Standards Fund	(2,870)	0
ISB Related YPLA	(11,927)	(4,365)
Learning Disability & Health Reform	(9,841)	(10,091)
Early Intervention Grant	(8,980)	(9,802)
Sure Start Early Years and Childcare	(54)	0
School Standards Grant	0	
NHS Grant	(2,252)	(2,160)
Housing Benefit Administration	(1,510)	(1,470)
Adult & Community Learning	(1,488)	(1,456)
Pupil Premium	(1,483)	(2,210)
New Homes	(1,121)	(2,903)
Drug & Alcohol Misuse	(707)	(341)
Other Grants (individually less than £1m)	(5,944)	(6,694)
Total	**(265,243)**	**(224,336)**

	2011/12 £'000	**2012/13 £'000**
Capital Grants receipts in advance:		
Devolved Formula Capital (Department for Education)	(2,048)	(1,207)
NHS Campus Closure (Department of Health)	(5,625)	(4,802)
Basic Need Grant	(8,389)	(13,727)
All Saints Grant	(6,726)	(789)
A5/M1 link road (Department for Transport)	0	(1,053)

Education Capital Maintenance Grant	(3,920)	(2,795)
Growth Area Fund	(1,597)	0
Other grants (no individual grants over £1m)	(6,010)	(4,510)
Section 106	(18,870)	(22,609)
Section 278	(1,580)	(3,409)
Other contributions	(1)	0
Total	**(54,766)**	**(54,901)**

35. 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 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 34.

Members:

There are 59 members of the Council in total (59 as at 31/03/2012) who have direct control over the Council's financial and operating policies.

The total of members' allowances paid in 2012/13, are shown in Note 30.
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 2012/13 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**	**2012/13 Expenditure by the Council**
D. Bowater	South Essex Partnership Trust	Governor	£2,840,128.78
R. Drinkwater	Aragon Housing Association	Member	£708,970.78
R. Egan & P. Hollick	South Beds Dial a Ride	Member	£143,882.01

Senior Officers:

Senior Officers are defined as per Note 31.

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 29.

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.

36. Capital Expenditure and Capital Financing

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

	2011/12 £'000	2012/13 £'000
Opening capital financing requirement	**203,807**	**374,571**
Capital investment:		
Property, plant and equipment	39,360	51,715
Investment properties	97	84
Intangible assets	1,415	527
Revenue funded from capital under statute	23,890	21,085
Debt as a result of HRA self financing	164,995	
Sources of finance:		
Capital receipts	(3,780)	(3,665)
Government grant and other contributions	(41,808)	(38,481)
Major Repairs Allowance	(3,805)	0
Sums set aside from revenue:		
Direct revenue contributions	(1,288)	(528)
Minimum Revenue Provision / loans fund principal	(5,534)	(5,874)
Other movements	(2,778)	0
Closing Capital Financing Requirement	**374,571**	**399,434**
Explanation of movement in year:		
Increase in underlying need to borrow (supported)	0	0
Increase in underlying need to borrow (unsupported)	5,769	24,863
Borrowing to support HRA self financing	164,995	0
Increase/(decrease) in Capital Financing Requirement	**170,764**	**24,863**

The Opening 2011/12 capital finance requirement has been restated to include assets held for sale.

37. 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:

	2011/12 £'000	2012/13 £'000
Vehicles, Plant, Furniture and Equipment:		
Fleet vehicles	17	0
Multi-functional devices	897	673
Total	**914**	**673**

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:

	2011/12 £'000	2012/13 £'000
Finance leases liabilities (net present value of minimum lease payments)		
Current	(239)	(241)
Non-current	(502)	(261)
Finance costs payable in future years	(123)	(63)
Minimum lease payments	**(864)**	**(565)**

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

	Minimum Lease Payments 2011/12 £'000	Finance lease Liabilities 2011/12 £'000	Minimum Lease Payments 2012/13 £'000	Finance lease Liabilities 2012/13 £'000
Not later than one year	(299)	(239)	(283)	(241)
Later than one year and not later than five years	(565)	(502)	(283)	(261)
Total	**(864)**	**(741)**	**(566)**	**(502)**

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:

	2011/12 £'000	2012/13 £'000
Not later than one year	295	273
Later than one year and not later than five years	776	560
Later than five years	504	504
Total	**1,575**	**1,337**

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:

	2011/12 £'000	2012/13 £'000
Not later than one year	1,377	1,594
Later than one year and not later than five years	1,153	1,074
Later than five years	1,817	3,648
Total	**4,347**	**6,316**

38. 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 £4.05m in 2012/13 (4.13m in 2011/12) and is subject to increases linked to the Retail Price Index (RPI) until the contract expires on 31 December 2035. Estimated indexated 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 2013/14	1,957	589	1,579	4,125

Payable within 2 to 5 years	8,689	2,257	6,371	17,317
Payable within 6 to 10 years	12,478	3,124	8,070	23,672
Payable within 11 to 15 years	14,065	3,665	8,515	26,245
Payable within 16 to 20 years	16,329	3,996	8,889	29,214
Payable within 20 to 25 years	9,304	3,778	6.059	19,141
Total	**62,822**	**17,409**	**39,483**	**119,714**

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:

	2011/12 £'000	2012/13 £'000
Balance outstanding at start of year	18,453	18,005
Payments during the year	(448)	(596)
Balance outstanding at year end	**18,005**	**17,409**

39. Capitalisation of Borrowing Costs

The Council has not capitalised borrowing costs during the 2012/13 financial year.

40. Termination Benefits

The Authority terminated the contracts of 74 employees in 2012/13, incurring direct redundancy costs of £1.3M (260 and £2.1M in 2011/12). These have been incurred as part of the Authority's drive to reduce operating costs.

Of this total, £85K was payable to the Director of Sustainable Communities in the form of compensation for loss of office as disclosed in Note 31. Of the remaining sum, the following redundancies were made as part of the Authority's rationalisation of the Services:

- £491K paid to 27 officers in Children's Services
- £418K paid to 24 officers in Corporate Services
- £201K paid to 18 officers in Sustainable Communities
- £61K paid to 4 officers in Adult Social Care

41. 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 2012/13, the Council paid:

- £1.6m from the Authority's payroll system (£7.0m 2011/12)
- £1.1m from Other payroll providers (£2.2m 2011/12).

to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.2% of pensionable pay (14.2% 2011/12). 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 42.

42. 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:

The cost of retirement benefits in the Comprehensive Income and Expenditure Statement are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge recognised 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:

	2011/12 £'000	2012/13 £'000
Cost of services:		
Current service costs	12,433	11,731
Past service costs	145	0
Settlements and curtailments	(4,570)	(2,374)
Financing and Investment Income and expenditure:		
Interest cost	28,832	27,722
Expected return on scheme assets	(20,991)	(16,228)
Total post-employment benefits charged to the (surplus) / deficit on the provision of services	15,849	20,851
Other Post-employment benefits charged to Comprehensive		

Income and Expenditure Statement:		
Actuarial gains / (loss)	(55,218)	(48,436)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	(39,369)	(27,585)
Movement in Reserves Statement:		
Reversal of net charge to (surplus) / deficit for the provision of services for post employment benefits in accordance with code	15,849	20,851
Actual amount charged against the General Fund balance for pensions in the year:		
Employers contributions payable to scheme	17,399	13,739

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £195.2m (£146.8m loss to 31 March 2012).

Assets and Liabilities in Relation to Post-employment Benefits:

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

	Funded & Unfunded liabilities	
	2011/12 £'000	2012/13 £'000
Opening balance at 1st April	533,503	581,836
Current service costs	12,433	11,731
Interest cost	28,832	27,722
Contributions by scheme participants	4,582	4,048
Actuarial gains and losses	33,308	66,610
Benefits paid	(17,768)	(16,392)
Past service costs	145	0
Curtailments	1,038	221
Settlements	(14,239)	(6,233)
Closing balance at 31 March	**581,834**	**669,543**

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

	Funded 2011/12 £'000	Unfunded 2011/12 £'000	Funded 2012/13 £'000	Unfunded 2012/13 £'000
Opening balance at 1 April	515,338	18,167	562,797	19,039
Closing balance at 31 March	**562,795**	**19,039**	**649,350**	**20,193**
Closing balance at 31 March Total	**581,834**		**669,543**	

Reconciliation of fair value of the scheme assets:

	Funded & Unfunded 2011/12 £'000	2012/13 £'000
Opening balance at 1st April	336,223	332,216
Expected rate of return	20,991	16,228
Actuarial gains and losses	(21,910)	18,174
Employer contributions	17,399	13,739
Contributions by scheme participants	4,582	4,048
Benefits paid	(16,438)	(15,053)
Settlements	(8,631)	(3,639)
Closing balance at 31 March	**332,216**	**365,713**

The actual income from / return on scheme assets in the year was £34.4m (£0.8m in 11/12)

Scheme History:

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present value of liabilities:				
Funded & Unfunded	(678,476)	(533,505)	(581,836)	(669,543)
Fair Value of assets in the Local Government Pension Scheme	352,121	336,223	332,216	365,713
Surplus/(deficit) in the scheme:				
Funded & Unfunded	(326,355)	(197,282)	(249,620)	(303,830)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of (£669.5m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of (£303.8m). 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 Authority in the year to 31 March 2014 is £15.3m.

The principal assumptions used by the actuary have been:

	Funded & Unfunded 2011/12	2012/13
Long term expected rate of return on assets in the scheme:		
Equity investments	6.3%	4.5%
Bonds	3.3%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
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	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	4.9%	4.5%
Rate of discounting scheme liabilities	4.8%	4.5%
Take up of option to convert annual pension into retirements lump sum	50%	50%

The expected rates of return in respect of 12/13 are set equal to the discount rate (as per the forthcoming revised version of IAS19).

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

	2011/12 %	2012/13 %
Equity investments	49.0	70
Bonds	24.0	19
Property	9.0	8
Cash	18.0	3
	100%	**100%**

History of Experience Gains and Losses:

	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Difference between the expected and actual return on assets	(16.90)	(1.04)	6.57	13.84
Experience gains and losses on liabilities	0.16	(10.09)	1.56	0.05

<u>43. Contingent Liabilities</u>

At 31 March 2013, the Council was aware of the following legal events that could lead to future legal claims, these are in relation to:

- 1 claim for unpaid invoices relating to a group arranged by Local Authorities to deal with reductions in carbon targets.
- 2 contracts issues: One relating to a school photocopier contract and the other to a domiciliary care contractor.
- 1 claim for remedial works for alleged damage to private land.

Although no official claims have been logged with the courts, negotiations on these cases are ongoing and expectations are that these will not result in a financial liability. Prudent estimates of the possible financial effect cannot be provided in these instances.

Municipal Mutual Insurance (MMI) Limited - This relates to a claw-back of funds by MMI to cover claims relating to diseases. As per MMI's Scheme of Arrangement, the organisation can claw-back funds from Local Authorities if MMI is unable to meet all claims against it. This scheme was triggered in the 2012/13 financial year with a Levy rate of 15% of the value of total claims payments. The Council has included MMI within provisions it has made to reflect the likely payments the Council will have to make to MMI. However, there is a possibility that the level of claims will exceed those anticipated and that the Council could in future face a higher liability in this regard than the amount already calculated.

44. Contingent Assets

At 31 March 2013, the Council is not aware of any contingent assets.

45. 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 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). The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The limits for new specified investments and credit criteria in respect of financial assets held by the Council are detailed on the Council's website:

http://www.centralbedfordshire.gov.uk/council-and-democracy/strategies-and-policies/default.aspx

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 2013 that this risk 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:

31/03/2013	Amount at 31 March £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March %	Estimate max exposure to default and uncollect-ability at 31st March £'000	Estimate max exposure as 31st March £'000
	A	B	C	(A*C)	
Investments	27,520	0.0%	0.00%	0	0
Customers	14,165	0.9%	1.00%	142	142
Total	**41,865**	**-**	**-**	**142**	**142**

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 £14.2m customer balances is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	2011/12 £'000	2012/13 £'000
Less than 3 months	13,239	10,107
Three months to one year	2,998	1,906
More than a year	1,640	2,152
Total	**17,877**	**14,165**

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 (PWLB). 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:

	2011/12 £'000	2012/13 £'000
Less than one year	5,038	7,557
Between one and two years	7,557	16,373
Between two and five years	32,432	16,058
Between five and ten years	44,995	46,569
Between ten and 25 years	154,649	153,074
More than 25 years	75,916	75,916
Total	**320,587**	**315,547**

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 the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk and aims 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 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2012/13 £'000
Increase in interest payable on variable rate borrowing	806
Increase in interest receivable on variable rate investments *	(367)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	**439**
Share of overall impact debited to the HRA	263
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)	(36,187)

* based upon investments and cash / cash equivalents

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 units 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 2012/13 (actual cumulative unrealised losses for the Lime Fund, currently stand at 31/03/2013 at £276k).

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.

46. 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:

2012/13	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.	(592)	351	663	(284)
Total	**(592)**	**351**	**703**	**(284)**

2011/12	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	(29)	17	133	(10)
Total	**(29)**	**17**	**173**	**(10)**

HOUSING REVENUE ACCOUNT (HRA) - INCOME AND EXPENDITURE STATEMENT

2011/12 £'000		Note	2012/13 £'000	2012/13 £'000
	Expenditure			
4,224	Repairs and Maintenance		5,164	
5,039	Supervision and Management		5,213	
158	Rents, Rates, Taxes and Other Charges		4,162	
9,893	HRA Subsidy Payable		0	
(6,955)	Depreciation and Impairment of non-current assets	7	5,744	
80	Debt management costs		106	
123	Movement in the allowance for bad debts		113	
164,995	HRA self financing 2011/12 payment to the Secretary of State		0	
177,557				20,502
	Income			
(22,610)	Dwelling Rents (Gross)		(24,107)	
(210)	Non Dwelling Rents (Gross)		(492)	
(805)	Charges for Services and Facilities		(824)	
(845)	Contributions towards Expenditure		(769)	
(24,470)				(26,192)
153,087	**Net Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement**			**(5,690)**
90	HRA Services share of Corporate and Democratic Core			103
	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to specific Services			
10	IAS19 Past Service Cost			0
100				103
153,187	**Net Expenditure of HRA Services**			**(5,587)**
	HRA share of Operating Income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement			
(547)	(Gain) / Loss on Disposal of non-current assets			278
(186)	HRA interest and Investment Income			(100)
519	Pensions Interest Cost & Expected Return on Pensions Assets	9		558
(214)				736
152,973	**(Surplus) / Deficit for the Year on HRA services**			**(4,851)**

MOVEMENT ON THE HRA STATEMENT

2011/12 £'000		Note	2012/13 £'000	2012/13 £'000
3,742	HRA Balance at the end of the previous reporting period			3,905
(152,974)	Surplus / (Deficit) on HRA Income and expenditure Statement		4,851	
	Adjustments between accounting basis and funding basis under regulations			
(10,016)	Difference between any other item of Income and expenditure determined in accordance with Code and determined in accordance with statutory HRA requirements		5,744	
(547)	(Gains) / Loss on sale of HRA assets		278	
112	HRA share of contributions to / from the Pensions Reserve		396	
(664)	Capital expenditure funded by the HRA	4	0	
164,995	HRA self financing 2011/12 payment to the Secretary of State			
906	**Net Increase / (Decrease) before transfers to / from reserves**			**11,269**
	Transfers to / from reserves			
(744)	Transfer (to)/from the Major Repairs Reserve	3	(3,237)	
0	Transfer to the Sheltered Housing Re-Provision Reserve		(8,653)	
0	Transfer to the Strategic Reserve		(1,284)	
(744)				(13,174)
163	Increase / (Decrease) in year on the HRA			(1,905)
3,905	**HRA Balance at the end of the current reporting period**			**2,000**

HRA 1. Housing Stock

Property Type	Stock at 01/04/2012	Additions	Sales	Deleted / Demolished	Stock at 31/03/2013
Low rise flats	1,295	7	(1)	(0)	1,301
Medium rise flats	506	0	(1)	(0)	505
High rise flats	0	0	(0)	(0)	0
Houses & Bungalows	3,398	1	(17)	(1)	3,381
Total	**5,199**	**8**	**(19)**	**(1)**	**5,187**

HRA 2. Balance Sheet Values of HRA Assets

Operational Assets	Value at 01/04/2012 £'000	Value at 31/03/2013 £'000
Council dwellings	230,200	303,870
Other land & buildings- HRA	77,509	4,229
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	**307,709**	**308,099**

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 £590m (2011/12 £571m)

HRA 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:

	2011/12 £'000	2012/13 £'000
Balance at 1st April	(200)	(200)
Total Depreciation on all HRA assets	(3,061)	(3,237)
Depreciation less than the Major Repairs Allowance transferred to HRA	(744)	0
Expenditure in year	3,805	0
Balance at 31 March	**(200)**	**(3,437)**

HRA 4. Capital Expenditure and Financing

The Council spent £6.7m on HRA capital projects in 2012/13 (2011/12 £4.8m) This spending was financed from the following sources:

Source of Finance	2011/12 £'000	2012/13 £'000
Major repairs allowance	3,805	0
Capital Expenditure funded from revenue	664	0
Capital Receipts	297	298
Supported Borrowing	0	6,352
Total	**4,766**	**6,650**

HRA 5. Capital Receipts

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

Asset Type	2011/12 £'000	2012/13 £'000
Sale of Council houses	867	1,316
Right to buy discount repaid	6	0
Principal repayments on mortgage	12	6
Sale of land	68	0
Total	**953**	**1,322**

HRA 6. Capital Charges

The net capital charge to or from the HRA is known as the Item 8 Credit and the Item 8 Debit (General) Determination. The charge is based on the HRA capital financing requirement (CFR). It is calculated as the CFR multiplied by the year's average interest rate for PWLB loans if the CFR is positive or by the average interest rate obtained by the Council on its investments. In 2011/12 and 2012/13 the HRA CFR was negative so the latter method was used as follows:

	2011/12 £'000	2012/13 £'000
HRA investment income	(125)	(49)
Interest on cash balances & mortgages	(61)	(51)
Total	**(186)**	**(100)**

HRA 7. Depreciation and Impairment

Depreciation and impairment is only charged to the HRA in respect of operational assets. The charges for 2012/13 were as follows:

	2011/12 £'000	2012/13 £'000
	Restated*	
HRA assets- depreciation:		
Council dwellings	2,266	3,158

Other land & buildings- HRA	795	79
HRA assets – (revaluation)/ impairment:		
Council dwellings	(7,037)	2,529
Other land & buildings- HRA	(2,978)	(21)
Total	**(6,955)**	**5,745**

*Amounts restated following detailed reconciliation following asset register review in 2012/13.

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 8. Rent Arrears

	2011/12 £'000	2012/13 £'000
Current tenant arrears	571	544
Former tenant arrears	315	296
Gross Rent Arrears	**886**	**840**
Bad debt provision	(395)	(380)
Total	**491**	**460**

HRA 9. 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.

	2011/12 £'000	2012/13 £'000
Current service costs & unfunded (within expenditure)	735	505
Past service costs	10	0
Pension interest costs	1,908	1,346
Expected return on assets	(1,389)	(788)
Net change to Income and expenditure account	**1,264**	**1,063**
Statement of movement in the HRA balance:		
Reversal of net charges made for retirement benefits	(2,415)	(396)
Employers contribution payable to the scheme (within expenditure)	**(1,151)**	**667**

THE COLLECTION FUND STATEMENT

2011/12 £'000		Note	2012/13 £'000	2012/13 £'000
	Income			
141,654	Income from Council Tax		144,253	
16,565	Council Tax Benefits transfers from General Fund		16,542	
(3)	Transitional relief		0	
72,708	Income collectable from business ratepayers	3	73,169	
230,923				233,965
	Expenditure			
	Precepts and Demands (in year)			
136,659	Central Bedfordshire Council		137,643	
13,992	Bedfordshire Police Authority		14,670	
7,968	Bedfordshire and Luton Combined Fire Authority		8,197	
158,619				160,510
	Business Rates:			
72,388	Payment to national pool		72,852	
320	Costs of collection		317	
72,708				73,169
	Bad and doubtful debts:			
288	Council Tax write-offs		379	
322	Increase / (reduction) in bad and doubtful debts provision - Council Tax		87	
610				466
(661)	Contribution's towards previous year's estimated Collection Fund deficit	4		(735)
(353)	**Movement on Fund Balance**			**554**
(1,514)	**Surplus / (Deficit) Balance Bought Forward**			**(1,866)**
(1,866)	**Surplus / (Deficit) Balance Carried Forward**	4		**(1,312)**

CF 1. Introduction

The Collection Fund is required by statute 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 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 2012/13 the tax base was calculated as follows:

Tax Band	Property by Band	Weighting Factor	Band D Equivalent 2012/13	Band D Equivalent 2011/12
A	9,454	6/9	6,303	6,214
B	22,315	7/9	17,356	17,183
C	31,262	8/9	27,788	27,508
D	20,279	9/9	20,279	20,014
E	14,128	11/9	17,268	17,114
F	7,484	13/9	10,810	10,674
G	4,430	15/9	7,383	7,328
H	333	18/9	666	660
	109,685		107,853	106,695
Less: other adjustments (discounts / appeals etc)			9,883	9,561
			97,970	97,134
Less: adjustment for collection rate (0.5%)			(490)	(486)
Tax Base			97,480	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: 2012/13: £128,342,891 / 97,481 = £1,316.59p (2011/12: £128,051,839 / 96,649= £1,324.92p).

CF 3. NNDR

The total non-domestic rateable value at 31 March 2013 was £197,073,061 as per the Valuation Office's schedule dated 30 March 2013 (£201,602,370 in 2011/12).

The 20121/13 NNDR standard multiplier set for the year by the Government (via DCLG) was 45.8p (43.3p in 2011/12) and 45.0p for small businesses (42.6p in 2011/12). NNDR income was £73,169k (£72,708k 2011/12).

CF 4. Allocation of the Collection Fund

The Council 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 2012/13, the balances calculated on this basis are as follows

	2011/12 £'000	2012/13 £'000
Balance 1 April	**(913)**	**(1,866)**
Allocated in year:		
Central Bedfordshire Council	564	628
Bedfordshire Police Authority	62	68
Bedfordshire & Luton Combined Fire Authority	35	39
Total Distributed	661	735
Balance 31 March	**(1,866)**	**(1,312)**
Allocated Between:		
Bedfordshire Police Authority	(171)	(120)
Bedfordshire & Luton Combined Fire Authority	(95)	(67)
Total	(266)	(187)
Central Bedfordshire Council	(1,600)	(1,125)
Balance 31 March	**(1,866)**	**(1,312)**

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

CENTRAL BEDFORDSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2012/13

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 and 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 explains how the Council has complied with national good practice guidance and meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

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(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

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 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 services and value for money. 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 assurance 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 governance framework has been in place at Central Bedfordshire Council for the year ended 31 March 2013 and up to the date of the approval of the statement of 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

In June 2012 the Council adopted a new medium term plan for the period 2012 – 2016 entitled "Delivering your Priorities". The Council's overall objective is to create Central Bedfordshire as a "great place to live and work" and the plan identifies the following priorities:

- Enhancing Central Bedfordshire – creating jobs, managing growth, protecting our countryside and enabling businesses to grow.
- Improved educational attainment.
- Promote health and wellbeing and protecting the vulnerable.
- Better infrastructure – improved roads, broadband reach and transport.
- Great universal services – bins, leisure and libraries.
- Value for money – freezing council tax.

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.

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 reviews the Policy Framework periodically to ensure that it is fit for purpose and contains the most strategically important plans and those closely aligned to its corporate priorities.

The Constitution describes the role of the statutory officers (the Head of Paid Service, the Monitoring Officer and the 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, Executive member, 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

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

The Council's Chief Finance Officer is a member of the Council's Corporate Management Team (CMT) and he 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 of Officers and Members

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

The Localism Act 2011 introduced new arrangements relating to standards in local authorities. In accordance with those arrangements, the Council adopted a new Code of Conduct in April 2012 based on the seven Nolan principles of public life. These arrangements came into effect on 1 July 2012 as required by the Act.

The Council's General Purposes Committee is responsible for overseeing the arrangements. The Council collaborated with a number of neighbouring local authorities to appoint a panel of independent persons, as required by the Localism Act who are available to advise as and when complaints are received relating to the Code of Conduct.

There is a system in place to deal with the investigation and determination of alleged breaches of the Members' Code of Conduct. Upon receipt, complaints are assessed by the Council's Monitoring Officer and, where necessary, complaints are considered and determined by the Standards Sub-Committee.

Training has been provided for members of the Council on the new Code of Conduct and the rules relating to disclosable interests that were introduced in the Localism Act.

The Council also has in place a number of codes and protocols relating to various aspects of ethical governance including: a Code of Conduct for Officers, a Protocol for Members/Officer Relations, a Monitoring Officer Protocol and a Protocol regarding the use 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.

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.

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 if any such arrangements are 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 aide memoires

The Council's Risk Management Strategy and Policy Statement were approved by the Audit Committee in April 2012 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. In June 2010, the Central Bedfordshire Legal Team achieved the Lexcel accreditation, a quality standard administered by the Law Society. 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.

The Council's Corporate Management Team commissioned an independent review of the Council's Legal Services in October 2012. As a consequence, the in-house team is being re-structured to provide increased capacity and revised arrangements are being introduced for the engagement of external legal support. In future, all such support will be commissioned through the in-house team.

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 updated 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

In 2012 the Senior Management Group (SMG) which comprises of the top three tiers of Officers underwent a 360 degree feedback exercise, measured against a set of Leadership Qualities that had been developed by this group. The results of this exercise informed a Leadership Development Programme that was launched in April 2013. The exercise has now been extended to include fourth tier managers and approximately 200 Managers have taken part. The summary feedback is then embedded into their annual Performance Development Reviews. Other management training includes ILM 3 and 5 accredited programmes.

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

The Member Development Programme has been developed to support all Members and provides essential updates and training sessions. It has been ratified by the Member Development Champion and Corporate Management Team.

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 on line 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 (including Gypsies and Travellers,), 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 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.

The 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, which has 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 2011. 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 operated in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006, during 2012/13.

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 and Risk 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 these reviews.

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 and an Efficiency Implementation Group chaired by the Chief Finance Officer, 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 2012/13

The Council's Head of Internal Audit and Risk submitted her opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 24 June 2013. The Head of Internal Audit and Risk 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 2013/14. Some improvements on last year have been noted, however, further action is required to fully address the control weaknesses identified. The payroll service was brought back in house from 1 April 2012. This resulted in a review of processes A SAP Optimisation project is in progress, and this will be further developed during 2013/14.

Progress has continued to be made during the year to address the control weaknesses identified during the early years of the Council in respect of the managed audits of the key financial systems. Significant progress has been made in ensuring that the Council's Financial Procedures are comprehensively reviewed and documented.

There has been a stable senior finance management structure in place during the year, following a significant staff turnover in the previous year.

Internal Audit has continued to track the implementation of high risk recommendations. This work has identified that significant progress is being made to develop a comprehensive IT Disaster Recovery Plan. Further work is currently in progress. The Audit Committee has received updates on this during the year.

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 governance issues were of significance during 2012/13:

- Regeneration review, including Member and Officer roles.

- The changes to ethical standards introduced under the Localism Act 2011, including the abolition of the Standards Committee and the Statutory Framework governing the investigation and determination of complaints against Members of the Council and the appointment of independent persons to provide views on complaints about the conduct of Members of the Council.

  The new arrangements are summarised in paragraph 2.5 above. The Council adopted a new local Code of conduct at its Annual Meeting on 19 April 2013 and appointed a panel of independent persons in September 2012. Ethical standards are now overseen by the Council's General Purposes Committee.

- The self financing arrangements for the Housing Revenue Account, which entailed a significant expansion of housing debt.
- The introduction of new arrangements relating to landlord complaints including the creation of a Tenancy Scrutiny Panel.

The Strategic Risk Register also identifies the following risks which have an impact on governance:

- The welfare reforms currently being introduced by Central Government.

  There are significant changes to various welfare payments being introduced from 1 April 2013. The most significant is the abolition of Council Tax Benefit and its replacement by a localised system of Council Tax Support. During 2012/13 the Council prepared for this through extensive consultation with the public and those most likely to be affected by the changes. As a result changes were made to the final scheme which was approved by Council in January 2013. The situation is under constant review to assess the impact of all the changes during 2013/14.

- The transfer of public health responsibilities to the Council.

  On 1 April 2013 the Council assumed responsibility for certain public health functions under the provisions of the Health and Social Care Act 2012. This was a complex transfer of functions from various NHS bodies to the Council but was undertaken successfully, including incorporation of appropriate budgets in the Council Budget which was approved in February 2013.

  In May 2012 the Council established a shadow Health and Wellbeing Board in preparation for the changes. Terms of Reference for the substantive Health and Wellbeing Board were subsequently approved and appointments were made to this new statutory committee at the Council's Annual Meeting in April 2013. The Council's Executive has also approved arrangements for the establishment of a Local Healthwatch Organisation.

6.0 CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2012/13 and has been approved by the Council's Audit Committee.

The Council proposes to take steps over the coming year to address the above matters to 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	**R CARR**
LEADER OF THE COUNCIL	**CHIEF EXECUTIVE**

Dated **6th August 2013**

GLOSSARY OF TERMS

Accounting Period The period of time covered by the accounts commencing on 1 April until 31 March.

Accruals An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

Acquisitions The Council spends funds from the capital programme to buy or enhance assets such as land and buildings.

Actuarial Valuation The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates every three years.

Agency Services Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

Asset A resource controlled by the authority as a result of past events and from which future economic or service potential is expected to flow to the authority.

Asset Register A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

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.

Available for Sale Financial Asset A non derivative financial asset that is not classified as loans and receivables.

Bad Debts Debts owed to the Council which are considered not recoverable and are written off.

Balances The amount of money left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise of the General Fund balance, the Collection Fund balance, the Housing Revenue Account balance and Schools Account balance.

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 are in the main district councils, and unitary authorities e.g. London boroughs.

Budget A forecast of the Council's planned expenditure; the level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the cost of services.

Capital Expenditure Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as ‘capital’ if it meets the statutory definitions and is in accordance with accounting practice and regulations.

Capital Financing Requirement The capital financing requirement is the capital investment funded from borrowing which has yet to be repaid.

Capital Programme The capital programme is a financial summary of the capital projects that the authority intends to carry out over a specified time.

Capital Receipts Monies received from the sale of the Council’s assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

Capital Reserves Capital reserves represent resources earmarked to fund capital schemes as part of the authority’s capital investment strategy.

Capitalisation Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

Cash Equivalents Investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

CIPFA The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities.

CIPFA Code of Practice on Local Authority Accounting The Code specifies the principles and practices of accounting to give a “true and fair” view of the financial position and transactions of a local authority.

Community Assets Assets that the authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Asset A possible asset 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.

Contingent Liability A contingent liability is either:
(i) 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, or
(ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Costs to Sell The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs.

Creditors An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made by 31 March.

Current Asset An asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Council expects to realise the asset within 12 months after the reporting date.

Current Liability An amount which will become payable or could be called in within the next reporting period; examples are creditors and cash overdrawn.

Debtors Monies due to the Council but not received by the end of the accounting period.

Defined Benefit Scheme (Pensions) A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation The measure of the wearing out, consumption or other reduction in the useful economic life of an asset. Depreciation forms part of the capital charge made to service revenue accounts.

Donated Asset An asset transferred at nil value or acquired at less than fair value.

Earmarked Reserves Funds set aside for a specific purpose or a particular service, or type of expenditure.

Effective rate of interest The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Employee Benefits All forms of consideration given by the authority in exchange for services rendered by employees.

Exceptional Items Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Existing Use Value for Social Housing (EUV-SH) A vacant possession valuation of Council dwellings adjusted to reflect the continuing occupation by a secure tenant. A further adjustment is made to reflect the difference between open market rented property and social rented property.

Exit Packages Departure costs paid to former employees who negotiate a package as part of their terms of leaving the authority.

Expenses The economic costs that a business incurs through its operations to earn revenue.

Extraordinary Items Material items that are not within the Council's ordinary activities and are not expected to recur.

Fair Value The price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

Finance & Operating Leases A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

Financial Instrument Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Liability An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

Financing Activities Activities that result in changes in the size and composition of the principal received from or repaid to external providers of finance.

Formula Grant Government subsidy to local authorities comprising two elements: Revenue Support Grant and redistributed National Non-Domestic Rates.

General Fund The Council’s main revenue account that covers the net cost of all services.

Going Concern A concept that defines that the functions of the Council will continue in operational existence for the foreseeable future.

Grants and Contributions Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.

Gross Expenditure, Gross Income and Net Expenditure Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund. Net Expenditure is the cost of service provision after the income is taken into account.

Housing Benefits The national system of financial assistance to individuals towards certain housing costs. Housing benefits are administered by local authorities and subsidised by central government.

Housing Revenue Account A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

Impairment A reduction in value of a fixed asset below its previously assed value in the balance sheet.

Income The gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of non current assets.

Infrastructure Assets Fixed assets that are inalienable, expenditure which is recoverable only by a continued use of the asset created. Examples of infrastructure assets include highways and footpaths.

Insurance Reserve The insurance reserve is used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. In addition, the authority carries a substantial amount of self insurance financed from this reserve.

International Financial Reporting Standards (IFRS) The accounting standards under which the Council has complied its financial statements as defined by the CIPFA Code of Practice.

International Public Sector Accounting Standards (IPSAS) International Accounting Standards (IAS) adapted to meet public sector requirements.

Investing Activities Activities relating to the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Investment Properties Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.

Landfill Allowance Trading Scheme (LATS) LATS was introduced by the Government in the 2003 Waste and Emissions Trading (WET) Act to help the UK meet its Landfill Directive targets. The Government allocates each local authority an allowance in tonnes for the amount of biodegradable municipal waste it can send to landfill. Local authorities are allowed to trade their allowances with other authorities and can also bank their allowances for future years. The scheme will cease in 2012/13.

Liability A present obligation of the authority arising from past events, the settlement of which is expected to result in an outflow from the Council of resources embodying economic benefits or service potential.

Liquid Resources Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash or close to the carrying amount or traded in an active market.

Loans and Receivables Non-derivative financial assets with fixed or determinable payments that are not quoted in any active market.

Major Repairs Reserve (MRR) The Major Repairs Reserve records amounts set aside from the Housing Revenue Account (HRA) which can be used to finance either future capital expenditure or the repayment of borrowing.

Materiality An item is material if its omission, non-disclosure or misstatements in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

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

National Non Domestic Rates (NNDR) A national scheme for collecting contributions from businesses towards the cost of local government services. Each business has a rateable value. The Government determines how much a business has to pay per £ of rateable value. The money is collected by the authority and then passed to central government who reallocate the income to all authorities in proportion to their population.

Net Book Value The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.

Net Realisable Value The selling price in the ordinary course of operations less the costs of completion and the costs necessary to make the sale, exchange or distribution.

Net Worth The total funds, balances and reserves (both usable and unusable reserves) held by the authority.

Non Current Asset An asset that does not meet the definition of a current asset and has a long term benefit to the Council.

Non Distributed Costs Overheads for which no service benefits, for example pensions arising from discretionary added years service.

Operating Activities The activities of the Council that are not investing or financing activities.

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

Outturn Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Pension Reserve The Pensions Reserve is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net change in the Council's recognised liability under International Accounting Standard 19 (IAS), Retirement Benefits, for the same period. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund balance reflects the amount required to be raised in taxation. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet.

Post Employment Benefits Post employment benefits cover not only pensions but also other benefits payable post employment such as life insurance and medical care.

Post Balance Sheet Event 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 charge made by one authority on another to finance its net expenditure.

Prior Period Adjustment Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Private Finance Initiative (PFI) A contract between the Council and a private company where the private sector makes a capital investment in the assets required to deliver improved services.

Property, Plant and Equipment (PPE) Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services and which are expected to be used during more than one period.

Provision A liability of uncertain timing or amount.

Prudence This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty.

Public Works Loan Board (PWLB) A central government agency which provides long and medium-term loans to local authorities at interest rates slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Qualified Valuer A person conducting the valuations who holds a recognised and relevant professional qualification and has sufficient current local, national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

Related Party Relationships between a senior officer or elected member or their families with another body that has a business relationship with the Council.

Related Party Transaction A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

Residual Value The expected value of the sale of an asset at the end of its estimated useful life.

Revenue Contributions to Capital Outlay (RCCO) The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

Revenue Expenditure Expenditure on the day to day running costs relating to the reporting period. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure funded from Capital under Statute (formerly Deferred Charges) A charge arising from capital expenditure but where but where there is no tangible asset.
An example is grants given for private property improvements.

Revenue Support Grant (RSG) The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax. Revenue Support Grant is distributed as part of Formula Grant.

Right to Buy The Council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home.

Section 151 Officer A term used to describe the Chief Financial Officer whose responsibilities are set out in the Statement of Responsibilities for the Statement of Accounts.

Service Reporting Code of Practice (SeRCOP) CIPFA's Service expenditure Reporting Code of Practice which provides guidance on financial reporting to stakeholders and establishes 'proper practice' with regard to consistent financial reporting.

Short Term Compensated Absences Short term compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid.

Stocks/Inventory The amount of unused or unconsumed stocks held in expectation of future use.

Trust Funds Funds administered by the authority for such purposes as prizes, charities and specific projects.

Usable Capital Receipts Reserve Proceeds of non current assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to finance capital expenditure.

Useful Life The period which a non current asset is expected to be available for use by the Council.

Value Added Tax (VAT) An indirect tax levied on most business transactions and on many goods and some services. Input tax is VAT charged on purchases. Output tax is VAT charged on sales.

Write-offs Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is reduced or written off.

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

Appendix B
Draft Letter of Representation 2012/13

Ernst & Young LLP

400 Capability Green

Luton

LU1 3LU

Our ref: Rep/01

Date: 23 September 2013

This representation letter is provided in connection with your audit of the financial statements of Central Bedfordshire Council ("the Council") for the year ended *31 March 2013*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Central Bedfordshire Council as of *31 March 2013* and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
   - Additional information that you have requested from us for the purpose of the audit and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements

3. We have made available to you all minutes of the meetings of the Council, the Executive and the Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:

   - Council: 13 June 2013
   - Executive: 13 August 2013
   - Audit Committee 24 June 2013
   - Council: 12 September 2013

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

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

Telephone 0300 300 8000
Email customer.services@centralbedfordshire.gov.uk
www.centralbedfordshire.gov.uk

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 8.38 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable

2. Accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Representations required in specific circumstances

Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or

encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the *valuation of assets and pension fund liabilities* and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

____

Charles Warboys

Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Audit Committee on 23 September 2013

____

Mike Blair

Chairman of the Audit Committee

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Central Bedfordshire Council

Audit Committee Summary

For the year ended 31 March 2013

Audit results report – ISA 260

23 September 2013

Mick West, Director
mwest@uk.ey.com

Cathy O'Caroll, Manager
co'carroll @uk.ey.com

EY
Building a better working world

Contents

Executive Summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to 'those charged with governance' on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2012-13 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- As of 23 September 2013, we expect to issue an unqualified opinion. Our audit demonstrates that the Council has prepared its financial statements well and this is reflected in the low number of issues to bring to your attention.

Value for money

- We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the Audit Opinion; by the 30 September 2013.

Extent and purpose of our work

The Council's responsibilities

- The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its code of governance, including how it has monitored and evaluated the effectiveness of governance arrangements in the year, and on any planned changes in the coming period.
- The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- Express an opinion on the 2012-13 financial statements.
- Report on any significant governance issues or other exception in the governance statement or other information included in the foreword.
- As a component auditor, follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
- This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and material internal control findings.
- This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified parties.

Addressing audit risks

Audit risks

- We found no significant risks of material misstatement that required special audit consideration.
- We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over these audit risks.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Audit risks		
1. Risk of misstatement due to fraud and error	Based on the requirements of auditing standards our approach has involved: • Identifying the risk of material misstatement due to fraud and error at the planning stages of the audit. • Inquiry of management about risks of fraud and the controls put in place by management to address those risks. • Understanding the oversight given by those charged with governance of management's processes over fraud. • Considering the effectiveness of management's controls designed to address the risk of fraud. • Determining an appropriate strategy to address those identified risks of fraud. • Performing mandatory procedures regardless of specifically identified fraud risks. • Considering the results of the National Fraud Initiative.	• As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. • Our audit procedures have not identified any material misstatement or irregular accounting entries that would place us on alert regarding the above or challenge management actions. • We have obtained representation from management and those charged with governance which provide us with assurance that arrangements are in place to mitigate the risk of material misstatement due to fraud or error and that there is the exercise of oversight on the part of the Audit Committee. • Our review of the results of the National Fraud Initiative did not highlight any issues requiring us to undertake any additional audit procedures. • We have obtained assurance that the risk of material misstatement due to fraud and error has been mitigated .
2. HRA accounting	Our approach focused on: • Considering whether the Council has complied with the Code requirements for accounting for the HRA, in particular accounting for depreciation, impairments, debt premiums and discounts.	• We have gained adequate assurance that the Council has complied with the Code requirements for accounting for the HRA.

EY

Financial Statements audit

Issues and errors arising from the audit

Progress of our audit

The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit Committee meeting:

- Receipt of a letter of representation
- Satisfactory completion of a number of outstanding audit procedures
- Receipt of revised financial statements and checking the agreed audit adjustments

Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected Errors

There are no errors within the draft financial statements, which management have chosen not to adjust.

Corrected Errors

Our audit identified a limited number of errors which we have highlighted to management for amendment. All of these relate to Balance Sheet classification, amendments to disclosure notes and typographical errors and have been adjusted during the course of our work. None of these affect the General Fund balance.

We consider only one of these errors (relating to the reversal of a prior year adjustment) to be significant and we set out the context and nature in Appendix 1 to this report

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council'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.

We have no matters we wish to report.

Findings and issues

Internal Control, Written Representations & Whole of Government Accounts

Internal Control

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

We have tested the controls of the Council only to the extent necessary to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework
- It is consistent with other information that we are aware of from our audit of the financial statements

We have not identified any significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, for which we do not currently have sufficient audit evidence. In addition to the standard representations, we have requested the following specific representations:

- Ownership of assets
  - To supplement audit testing of property, plant and equipment .
- Reserves
  - Corroborative assurance that reserves are properly recorded or disclosed in the financial statements.
- Use of the work of an expert
  - Corroborative assurance for year end valuation of assets.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Central Bedfordshire Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 - Arrangements for securing financial resilience

- *"Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future"*
- We did not identify any significant risks in relation to this criteria.
- We have no issues to report in relation to this criteria

Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

- *"Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity."*
- We did not identify any significant risks in relation to this criteria.
- We have no issues to report in relation to this criteria

Arrangements to secure economy, efficiency and effectiveness – Audit risks

In our Audit Plan we identified no significant risks that required us to undertake any additional specific risk-based work. The table below presents the findings of our work in response to the risk areas or areas of focus in our Audit Plan.

Risks/areas of focus	Impacts arrangements for securing:	Key findings:
In the ongoing economic climate and tighter local government financial settlement, councils' resources are under growing pressure. The Council's 2013-14 budget includes identified efficiency savings of £16.1million. The Council has a good track record of financial management and the most recent budget monitoring report confirms that the 2012-13 budget is on track. The Medium Term Financial Plan includes a further £29.3 million of efficiencies over the next three years, £18.2 million of which have been identified.	Financial resilience	Our enquiries have confirmed that the Council has in place adequate arrangements to ensure a good understanding and routine challenge of financial assumptions and performance. The Council has a good track record of financial management in terms of delivering planned savings and efficiencies and our review of recent budgetary reports confirms that the Council's performance is being maintained. We have assessed the Council's arrangements as adequate.
Given the pressure on the Council's finances the delivery of value for money through its expenditure becomes ever more important. The Audit Commission's value for money profiles, based on 2011-12 data, place Central Bedfordshire in the lowest 10% of its statistical nearest neighbours for the average number of days taken to: • process housing and council tax benefits changes of circumstance, and • process housing and council tax benefits new claims The audit of the Housing Benefit and Council Tax Benefits claims in the past three year identified a number of cases where benefits had been assessed incorrectly. We are aware that the Council has provided training and put in place quality assurance processes to address these issues.	Economy efficient and effectiveness	In relation to benefits we have pursued our line of enquiry with management drawing on information within the Audit Commission VFM profile. The Council is aware of the need to improve benefits processing and to this end performance is monitored on a weekly basis (report to Chief Finance Officer) and quarterly by CMT (performance dashboard report). Although work remains in progress we have concluded that the Council's direction of travel is positive. At a wider level, benchmarking data from various sources is used to identify variations in performance and to target resources to secure improvements. We have assessed the Council's arrangements as adequate.

Independence & Audit Fees

Independence

- We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated March 2013.
- We complied with the Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 23 September 2013.
- We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (ISA) 260. Our communication plan to meet these requirements was set out in our Audit Plan of March 2013.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2012/13	Scale fee 2012/13	Variation comments
	£s	£s	
Total Audit Fee – Code work	**184,885**	**184,885**	Not applicable
Non-Audit work	0	0	

- Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- We confirm that we have not undertaken non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Adjusted Audit errors

- The following adjustments, which are greater than £7.35m (our threshold for reporting errors to those charged with governance), have been identified during the course of our audit.
- These adjustments have been made by management within the revised financial statements

Item of Account	Nature of Error	Error Type	Statement of Comprehensive Income & Expenditure		Balance Sheet	
	Description		Debit	(Credit)	Debit	(Credit)
1. Property plant and equipment (PPE)						
	The Council accounted for the correction of a mis-classification of PPE that it identified as part of its closedown as a prior period adjustment. This had the effect of adjusting the opening balances in the 2012/13 statements as well as the closing balances. A retrospective adjustment is not a requirement under IAS 8 as the misstatement is not material.					
HRA – other land and buildings council dwellings opening balance Reversal of prior period adjustment	An adjustment has been made whereby the prior period adjustment to the opening balance has been reversed and the classification error corrected as an in year adjustment. Closing balances are unchanged.	Factual			£73.35m	
HRA - council dwellings – opening balance		Factual				£73.35m
Balance sheet totals					£73.35m	£73.35m

EY

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission's website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

September 2013

LG Sector update

Government and economic news

Contents at glance

Spending review 2013

The Chancellor of the Exchequer announced the government spending plans for 2015–16 and cuts to individual departmental budgets to Parliament on 26 June 2013. This aligned with the announcement in the March 2013 budget that savings of £11.5bn were required.

The main points of the Spending Round are summarised below:

Overall

- The overall spending for the three years is confirmed as £745bn in 2015-16, £755bn in 2016-17 and £765bn in 2017-18.
- Savings from current spending of £11.5bn are required in the spending round for 2015-16, of which savings of £2.1bn are from core local government funding.
- Local authority core funding is reduced by 10 percent in 2015-16 in real terms.
- Transfer of £2bn from the NHS to local authorities for social care.

Council tax

- Further support to freeze council tax for 2014-15 and 2015-16, equivalent to one percent council tax increase for councils which freeze their council tax on the same lines as in 2013-14. Referendum limits of two percent in both 2014-15 and 2015-16 will be set.

Adult social care and health

- A £3.8bn pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services. This includes £2bn a year through the NHS to join up local health and social care services.

EY

Building a better working world

Public service transformation

- £100mn investment into a council efficiency and transformation fund.
- A police innovation fund and provision of resources for the transformation of Fire and Rescue Services.
- Children's services and schools funding
- Schools funding and the pupil premium will be protected in real terms but the Education Services Grant, which pays for central services to schools, will be cut by 20 percent. This will be subject to a consultation in the autumn.

Troubled families

- A further £200mn will be invested into the Troubled Families programme to extend help to 400,000 families in 2015-16. In line with the existing programme, this will be subject to match funding from local authorities.

Local growth

- £2bn allocation to the creation of a Single Local Growth Fund, to be devolved to the Local Enterprise Partnerships (LEPs). The Fund is expected to be operational in April 2015 and sustained each year of the next Parliament. £700mn of this is to be funded from amounts previously allocated to local areas for transport or the New Homes Bonus

Fire and police

- Creation of an innovation fund of up to £50mn for police forces to work jointly with each other and with local authorities.
- A 7.5 percent reduction overall in Fire and Rescue authorities funding for 2015-16.
- Two specific fire and rescue authority funds were announced totaling £75mn, to be made through the local government settlement in order to encourage joint working.

The Local Government Association updated its Funding Outlook Report to incorporate the additional 10 percent real-terms cut to council funding for 2015-16. It estimates that the funding gap facing local government is widening by £2.1bn a year and will reach £14.4bn by 2020.

Infrastructure spending beyond 2015

Following the spending review announcement in June 2013, the Chief Secretary to the Treasury set out the next phase of the National Infrastructure Plan, and outlined the government's infrastructure investment priorities beyond 2015.

Key details highlighted:

- An increase in capital spending plans by £3bn a year, from 2015, equating to additional £18bn of investment over the next parliament
- Over £70bn of investment in transport
- Over £20bn in schools
- £10bn in science, housing and flood defences

Specific commitments include:

- Funding for HS2, a new nationwide rail network.
- Tripling the money spent on roads by 2020 to 2021 compared to 2013. This includes £6bn to help local authorities repair the local road network.
- Expanding Superfast Broadband provision so 95 percent of UK premises will have access to Superfast Broadband by 2017.

Action is being taken to provide the support needed to enable up to £100bn of private sector energy investment, including through the further roll-out and extension of the UK guarantees scheme.

A full update of the National Infrastructure Plan will be published at the time of the Autumn Statement 2013.

Local government pension scheme review

Local government minister Brandon Lewis has announced plans for a review of the Local Government Pension Scheme's investment regulations. The possibility of merging schemes is also to be examined.

The review will examine the rules, which set caps on the amount funds can invest in certain assets. In March, the minister confirmed that the limit covering infrastructure projects would be doubled to 30% of total assets.

The move comes as a new local government pension regulatory plan is being developed to take account of the reforms that the government has made to public sector schemes. This will come into effect in April 2014.

Economic outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, announced in July 2013 that the UK recovery 'has finally got legs', with consumer spending and the housing market propping up GDP this year until the long awaited revival in exports and business investment kicks in next year.

According to the EY ITEM Club Summer Forecast, UK GDP will reach 1.1 percent this year, before accelerating to 2.2 percent in 2014 and 2.6 percent in 2015.

With consumer confidence returning and the Government's initiatives to stimulate the housing market bearing fruit, consumers are switching their attention back from saving to spending. From next year the consumer-led recovery will morph into much more balanced growth, as business investment and exports begin to rise more strongly.

The ITEM club had recently issued two special reports considering the impact of changes in the economic environment.

In May 2013, it published a report on inflation, identifying the following:

- **Outlook for inflation:** inflationary pressures will peak over the summer, and we will be unlikely to see inflation dip below 2.5 percent over the next four years.
- **Impacts on consumer spending:** ongoing relatively high inflation will continue to impact consumer spending, especially with unemployment unlikely to fall quickly. Average earnings growth will experience a pick-up from 2014, but is likely to take several years to return to more 'normal' rates of four percent or more.
- **Implications for monetary policy:** continuing high inflation could limit the Monetary Policy Committee's room for manoeuvre on interest rates, whilst also making it difficult to implement the Chancellor's proposal for more forward guidance.

In June 2013, the ITEM club published its report on consumer spending, identifying the following:

- **Consumer spending forecast in detail:** in 2012 consumer spending was still four percent below its 2008 peak. However, it is beginning to show signs of recovery and the momentum behind rising spending will build gradually over the next few years. This should see real consumer spending growth accelerating to just below five percent in 2014.
- **The pace of the recovery:** by 2015 it is expected that the level of spending will have returned to its pre-financial crisis peak, and then continue to grow faster than recent growth rates, although significantly slower than on previous trends.
- **Income and labour market factors:** although the strong rebound in real incomes seen in 2012 will not be sustained, and inflation is not expected to slow down from current rates, the generous increase in the income tax personal allowance will boost take-home pay over the next two years. These factors should mean that real incomes grow sufficiently to sustain the recovery in consumer spending.

Regulation news

Local audit and accountability bill

The Local Audit and Accountability Bill will put in place a new local audit and accountability framework for local public bodies in England. The Audit Commission currently appoints auditors to a range of local public bodies in England and sets out expected standards for auditors and oversees their work. It also compares data across the public sector to identify where services could be open to abuse and help organisations fight fraud. Under the bill, the scope of the audit will remain very similar to the current audit, and auditors will continue to be required to comply with a code of practice and have regard to guidance. In the new framework, these will be developed by the Comptroller and Auditor General of the National Audit Office.

The Bill continues with the auditor's role in bringing any appropriate concerns to the attention of the public through public interest reports which the body will be required to publish, along with their response. The Bill protects the rights of taxpayers to inspect the accounts of local bodies and raise any questions and objections with the independent auditor.

The Bill sets out a new framework which requires local bodies to appoint their own auditors. Local public bodies will have to appoint their own auditor at least once every five years. They will need to consult and take into account the advice of an independent auditor panel. They will be required to publish information about the appointment of an auditor within 28 days of making the appointment.

Final amendments were made to the Bill during the third reading on 24 July. The Bill now goes to the House of Commons for its consideration.

OFSTED: consults on a single inspection framework for local authority children's social care services

In June 2013 OFSTED launched a consultation proposing a single framework for inspecting local authority child protection and services for looked after children, including those leaving or who have left care.

This replaces previous plans to implement separate inspections for child protection and services for children looked after. It proposes an evaluation of help, protection and care for children including the arrangements for local authority fostering and adoption services

Local government claims and returns 2011–12 certification report

In June 2013, the Audit Commission published its report on certification of local government 2011–12 claims and returns.

The 1,230 claims and returns reviewed, totaling £50.7bn, saw a fall in the value of amendments and number of qualification letters, due largely to fewer claims and returns requiring certification but the proportion of claims and returns that required amending or to be qualified rose.

Key messages from the report were:

- Amendments totaled £36.9mn, comprising increases in value of £13.6mn and decreases of £23.3mn.
- 355 qualification letters were issued on 29 percent of all claims and returns.
- 78 percent of housing and council tax subsidy claims received qualification letters.
- Many authorities could improve working papers and the supervision and review of claims and returns, to help reduce the number of errors and issues requiring attention.

Value for Money Profiles: council tax collection

In June 2013, the Audit Commission issued a briefing on council tax collection using data drawn from its Value for Money (VFM) profiles, to demonstrate their practical application and benefits.

The VFM Profiles are an online tool made available to anyone who has an interest in local public services including service users and residents. It enables comparison between councils by bringing together data about the costs, performance and activity of local councils and fire authorities, specifically to see:

- How an organisation is spending its resources, and how well services perform
- How the costs and performance of an organisation compare to others
- The latest planned budgets for councils
- Outlier reporting

This council tax briefing provides a national perspective on data for two specific indicators in relation to council tax. Key data identified:

- Council tax makes up more than £22bn of English council's income
- Councils spend £300mn (net) collecting council tax
- £605mn, of 2011-12 council tax due, remained uncollected by March 2012
- The total council tax arrears at 31 March 2012 was £2.355bn

Working together across the public sector

Funding transfer from NHS England to social care: 2013–14

In June 2013 NHS England announced that it will transfer £859mn to local authorities to allow them to support adult social care in 2013–14. The transfer of funding will be administered by NHS England's own area teams and not clinical commissioning groups (CCGs).

The funding must be used to support adult social care services in each local authority, which also has a health benefit. Health and wellbeing boards will be the forum for discussions between the NHS England area teams, CCGs and local authorities on how the funding should be spent and the outcomes expected from this investment.

Whole place community budgets

Following the Community Budget pilots, which tested 'whole-place' pooled spending on particular local services, the Secretary of State for Communities and Local Government announced that the Government is to support 18 selected councils across nine areas to develop pooled spending.

To aid the process, a 'multi-agency network' made up of experts from the public and private sectors will be set up to develop plans for a rolling programme, using lessons learnt from the four pilots. Councils are encouraged to submit expressions of interest to join the network.

In our April 2013 briefing, we provided details of the independent analysis from EY, which showed that more than £4bn of public money could be saved every year by radically shaking up the way public services are provided and paid for in England; cutting unnecessary waste, duplication and red tape. A year-long pilot of community budgets modelled to a national level by EY, shows that devolving more decisions to local areas would provide better services and save between £9.4bn and £20.6bn over five years across local and central government.

Neighbourhood-level Community Budgets: 'Our Place'

Following the success of the 12 Neighbourhood Community Budget Pilots, the Secretary of State for Communities and Local Government announced financial support of £4.3mn intended to enable at least 100 neighbourhoods to design and deliver local services that focus on local priorities and reduce costs.

The pilots ranged from inner cities and suburbs, to housing estates and small towns. They brought together local government, service providers, the voluntary sector, and business to help young people get work, support 'just coping' families, reduce anti-social behaviour and find new ways to give people with long term health conditions a better quality of life.

The expansion of the Our Place programme will also set up a network of champions drawn widely from the pilots and from all sectors, to provide support and advice.

Accounting, auditing and governance

National Fraud Initiative moving to Cabinet Office

The National Fraud Initiative (NFI) will be retained and transferred to the Cabinet Office when the Audit Commission closes in 2015. The National Fraud Initiative matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information that indicate that a fraud, an error or an overpayment may have taken place; signalling the need for review and potential investigation. The Audit Commission has reported that the outcomes from the most recent exercise in England include:

- The prevention and detection of £103mn pension overpayments
- £79mn council tax single person discounts incorrectly awarded
- £42mn housing benefit overpayments
- 164 employees identified as having no right to work in the UK
- 321 false applications removed from housing waiting lists
- 1,031 prosecutions, 921 of them for housing benefit fraud
- 32,633 blue badges and 52,635 concessionary travel passes cancelled

HRA Indebtedness

- The DCLG in May 2013 issued the **Limits on Indebtedness Determination 2012: Amending Determination 2013.** This requires a reduction in the HRA CFR where HRA non-RTB receipts after April 1 2013 are used to fund general fund capital expenditure, unless this is regeneration or affordable housing expenditure. Reduction in the HRA CFR would transfer the relevant part of HRA debt to the general fund, giving the latter increased interest and repayment costs.
- Under the same amending determination HRA 'Interest on notional cash balance' definition is now defined as:
- '**Interest on notional cash balance** means the interest credited to the Housing Revenue Account on notional credit balances attributed to the Housing Revenue Account, the Housing Repairs Account, unapplied housing capital receipts and the Major Repairs Reserve.'

Find out more

To find out more on the articles above, please follow the links below:

Spending review 2013

The full LGA report, Future funding outlook for councils from 2010-11 to 2019-10, can be accessed here: http://www.local.gov.uk/c/document_library/get_file?uuid=337ed9e8-0f20-4ff0-8f62-c4989f00978a&groupId=10171

CIPFA's response to the review is detailed here: http://www.cipfa.org/services/advisory-and-transformation/cipfa-responds-to-spending-review

CIPFA's Cross Sectoral Budgeting Issues has been updated to include a review of the Budget 2013 and Spending Review and its impact upon how the public sector considers its approach to budgeting. In addition, initiatives to encourage public bodies into working together are discussed including Pooled budgets, PFI, PPP and Community Budgets.

Infrastructure spending beyond 2015

The policy paper is available here: https://www.gov.uk/government/publications/investing-in-britains-future

The Chairman of the Local Government Association Sir Merrick Cockell's response to the Treasury's announcement on infrastructure spending announcement is found at: http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10171/4046622/NEWS-TEMPLATE

Local government pension scheme review

Details about the LGPS reform: http://www.doeni.gov.uk/index/local_government/local_goverment_pension_scheme_2014.htm

Economic Outlook

The full report is accessible at: www.ey.com/Publication/vwLUAssets/ITEM_Club_UK_Summer_Forecast_2013_full/$FILE/EY%20ITEM%20Club%20Full%20report.pdf

The reports on inflation and consumer spending are available at: http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/Economic-Outlook---Reports

Local audit and accountability bill

Further information can be found in the DCLG publication 'Audit and Accountability Bill A Plain English Guide: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/198057/Local_Audit_and_Accountability_Bill_-_plain_English_guide.pdf

Progress of the bill can be tracked at: http://services.parliament.uk/bills/2013-14/localauditandaccountability.html

OFSTED: consults on a single inspection framework for local authority children's social care services

The consultation closed on 12 July 2013.

For more information, see:
http://www.ofsted.gov.uk/resources/inspection-of-services-for-children-need-of-help-and-protection-children-looked-after-and-care-leave

Local government claims and returns 2011-12 certification report

The full report can be found at:
Local government claims and returns: The Audit Commission's report on certification work 2011/12 (PDF document)

Value for Money Profiles: Council Tax Collection

The full report is available here: Council tax collection – Using data from the Value for Money Profiles, June 2013 (PDF document)

Link to VFM profile tool: Value for Money Profiles.

Funding transfer from NHS England to social care: 2013-14

An annex to the announcement letter provides details of funding by local authority and NHS England area team:
http://www.england.nhs.uk/wp-content/uploads/2013/07/annex-a-la-funding-split-at.pdf

Whole place community budgets

Further details and a full list of authorities selected are available here:
http://www.publicfinance.co.uk/news/2013/07/18-councils-selected-for-next-stage-community-budgets/

Read more about the pilots at:
http://www.local.gov.uk/c/document_library/get_file?uuid=3e06dd05-6204-4ae8-9b41-81f516cb9a5b&groupId=10171

Neighbourhood-level Community Budgets: 'Our Place'

The DCLG press release on the announcement of the Our Place programme expansion:
https://www.gov.uk/government/news/43-million-boost-to-put-communities-in-control

The Our Place! summary report published by the DCLG highlighting the work of the 12 pilots is available here:
http://mycommunityrights.org.uk/wp-content/uploads/2013/06/Our-Place-and-what-the-pilot-areas-achieved.pdf

National Fraud Initiative has future moving to Cabinet Office

To find out more, go to:
http://www.audit-commission.gov.uk/2013/07/audit-commissions-national-fraud-initiative-has-future-fighting-fraud-under-cabinet-office/

HRA Indebtedness

The final five determinations for implementing self-financing for council housing can be found at:
https://www.gov.uk/government/publications/the-housing-revenue-account-self-financing-determinations--2

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ED None

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Meeting: **Audit Committee**

Date: **23 September 2013**

Subject: Internal Audit Progress Report

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

Summary: This report provides a progress update on the status of Internal Audit work for 2013/14.

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

CORPORATE IMPLICATIONS

Council Priorities:

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

Financial:

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

Legal:

2. None directly from this report.

Risk Management:

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

Staffing (including Trades Unions):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Public Health

6. None directly from this report.

Community Safety:

7. None directly from this report.

Sustainability:

8. None directly from this report.

Procurement:

9. None directly from this report.

RECOMMENDATION:

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

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 2013/14 Audit Plan in April 2013. This report provides an update on progress made against the plan up to the end of August 2013.

Progress on the 2013/14 Internal Audit Plan

13. The initial efforts in the first part of the year have been focused on finalising the audit reviews in progress at the end of 2012/13. The majority of these reviews are now either finalised or at draft report stage.

Managed Audits

14. The majority of the 2012/13 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. The final reports for SAP Access and Security and IT Disaster Recovery have still to be issued and discussions are currently being held with managers to finalise these reviews.

15. Internal Audit is currently scoping and agreeing briefs for the 2013/14 managed audits and work has commenced on updating the systems documentation.

16. Discussions have been held with the external auditors to agree the approach to be adopted for the 2013/14 Managed Audit reviews. As in previous years the reviews will include systems documentation and walkthrough testing, and also follow up of previous recommendations made. The substantive testing this year will be undertaken in one phase.

17. Consideration has been given to new Government initiatives, such as the Council Tax Support Scheme and Localised Business Rates, when scoping these reviews to provide assurance that the controls surrounding the implementation of these initiatives are robust. Other internal system changes, such as the implementation of the SAP Optimisation Project, will also be considered.

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

. **Other Audit Work**

19. In addition to work on managed audits, work has been finalised on the following reviews:
SWIFT Financials – Adequate Assurance
Grants Register – Adequate Assurance
Officers Declaration of Interests Follow Up – Satisfactory Progress
Service Level Agreements Follow Up – Satisfactory Progress

20. Internal Audit has continued to be engaged in several projects, including SAP Optimisation, Routewise and the Local Welfare Provision Board in order to provide advice and guidance on the control environment during project implementation.

21. 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)

22. 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. The 2012-13 exercise has not identified any savings to date.

Fraud and Special Investigations

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

Schools

24. The rolling programme of school audit visits has continued. To date this year 4 school reports have been finalised, 4 draft reports have been issued and 4 visits have been completed with reports currently being written.

Public Sector Internal Audit Standards

25. Work is in progress to update the Internal Audit Charter to reflect the requirements of the new Public Sector Internal Audit Standards. Once completed, this will be presented to the Committee for consideration.

Performance Management

26. 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.

27. **Activities for 1 April 2013 – 30th August 2013**

KPI	**Definition**	**Current Year**		**Previous Year**	**Annual target**
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	36%	35%	22%	80%
KPI02	Percentage of the number of planned reviews completed.	23%	27%	23%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	80%	75%	56%	75%
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.	93%	80%	87%	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%	100%
KPI06	Overall customer satisfaction.	85%	80%	n/a	80%

28. Analysis of indicators:

KPI01 – As at the end of August Internal Audit has delivered a total of 454 productive audit days against a total of 1,260 planned days for the year. This is slightly above the target of 35%

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, however, as Appendix A demonstrates, a number of reviews have been completed to draft report stage, which are not reflected within this figure.

KPI03 – 80% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is above the target agreed for the year.

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 93% of draft reports were responded to within the target set. This represents an 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 – A total of 15 surveys have been sent out. 5 responses have been received to date. The responses received have been positive.

Conclusion and Next Steps

29. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council. Work is progressing to deliver the agreed plan by the year end.

30. 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

IA Ref	Audit Title	2013/14 Days	Position as at end August 2013	Opinion
Carry over Work				
	Completion of reviews in progress as at 31st March	150		
	2012/13 Phase 2 Accounts Payable/Purchase Ledger (including feeder systems)		Draft report in Progress	Phase 1 Adequate
	2012/13 Phase 2 Accounts Receivable/Sales Ledger		Final report issued	Adequate
	2012/13 Phase 1 Asset Management (incl. Asset Register)/Capital Accounting		Final report issued	Adequate
	2012/13 Phase 2 Asset Management (incl. Asset Register)/Capital Accounting		Draft report issued	Phase 1 Adequate
	2012/13 Phase 2 Council Tax		Final report issued.	Full
	2012/13 Phase 2 Housing Benefits		Final report issued	Adequate
	2012/13 Phase 2 Main Accounting Systems (MAS)		Final report issued	Adequate
	2012/13 Phase 2 National Non Domestic Rates NNDR		Final report issued	Full
	2012/13 Phase 2 Payroll		Final draft issued	Phase 1 Limited
	SWIFT Financials		Final report issued	Adequate
	2012/13 Phase 2 Treasury Management		Final report issued	Adequate
	2012/13 SAP Access and Security		Draft report in Progress	
	2012/13 IT Disaster Recovery		Draft report issued	
	Grants Register		Final report issued	Adequate
	Contractors Home to Work mileage		Briefing note in progress	n/a
	ICT Contract Management		Scoping in Progress	
	IT Governance Phase 2		Work planned	
	SWIFT Disaggregation Consultancy		Completed	n/a
	Contract Management - Amey		In progress	
	Data Quality		In progress	
	Ethical Governance		Draft report issued	
	Biggleswade Day Centre		Report drafted	
	Leighton Buzzard Day Centre		Report drafted	

IA Ref	Audit Title	2013/14	Position as at end August 2013	Opinion
		Days		
	Domiciliary Care Units		Draft report issued	
	Direct Payments for Care		Report drafted	
	Service Level Agreements - Follow Up		Final report issued	Satisfactory progress
	Hawthorn Park Lower School Follow Up		Final report issued	Satisfactory progress
	Sutton Lower School		Final report issued	Adequate
	Templefield Lower School		Final report issued	Adequate
	The Lawns Nursery		Final report issued	Adequate
Total - Carry over Work		**150**		
Managed Audits (Key Financial Systems)				
	Accounts Payable/Purchase Ledger (including feeder systems)	35	Scoping in progress	
	Accounts Receivable/Sales Ledger	30	Scope agreed	
	Asset Management (incl. Asset Register)/Capital Accounting	30	Scoping in Progress	
	Council Tax	35	Scoping in Progress	
	Housing Benefits (including Council Tax Support Scheme)	45	Scoping in Progress	
	Main Accounting Systems (MAS)	30	Scope Agreed	
	National Non Domestic Rates NNDR	35	Scoping in Progress	
	Payroll	40	Scope Agreed	
	SWIFT Financials	15	Scoping in Progress	
	Treasury Management	25	Scoping in Progress	
	Housing Rents including tenant arrears	25	Scoping agreed	
	Cash And Banking (Non Invoiced Income)	20	Scoping in Progress	
Total - Managed Audits		**365**		
Assurance Audits - Organisation and People				
	Recruitment Controls (including vetting)	15	Not started	
	Data Quality	15	Not started	
Total- Organisation and People		**30**		
Assurance Audits - Corporate Services				
	Teachers Pensions	15	Scoping in progress	

IA Ref	Audit Title	2013/14	Position as at end August 2013	Opinion
		Days		
	Major projects - Consultancy	20	Ongoing. Work undertaken includes ESS/MSS, Routewise, and the Local Welfare Provision Board	n/a
	Impact of Welfare Reform	15	Not started	
	Adherence to Procurement Procedures	15	Scoping in Progress	
	DSG - outturn compilation	5	Fieldwork commenced	
Total - Corporate Services		**70**		
Assurance Audits - Children's Services				
	Schools General - School Improvement	80	Ongoing. 4 final reports issued, 4 draft reports issued, and 4 further visits undertaken with reports still to be written	
	Corporate Financial Management	10	Scoping in Progress	
Total - Children's Services		**90**		
Assurance Audits - Social Care, Health and Housing				
	Housing Repairs	25	Fieldwork commenced	
	Domiciliary Care Framework Agreement	10	Not started	
	Financial Management	15	Scoping in Progress	
	Direct Payments	15	Not started	
	Independent review of Care Homes Contract Model	10	Scope agreed	
Total - Social Care, Health and Housing		**75**		
Assurance Audits - Sustainable Communities				
	Section 278 Agreements	15	Not started	
Total - Sustainable Communities		**15**		
Assurance Audits - Governance				
	Officers Declaration of Interests - Follow Up	5	Final report issued	Satisfactory progress

IA Ref	Audit Title	2013/14	Position as at end August 2013	Opinion
		Days		
	Members Declaration of Interests	5	Fieldwork commenced	
	Officers Hospitality and Gifts - Follow Up	5	Not started	
	Members Hospitality and Gifts - Follow Up	5		
Total - Governance		**20**		
Assurance Audits - Contracts and Partnerships				
	Contracts Management	20	Not started	
	Value for Money review of spend on legal advice	15	In progress	
Total - Contracts and Partnerships		**35**		
Assurance Audits - ICT				
	Customer First Information Security	15	Not started	
	IT Disaster Recovery	10	Not started	
	SAP Access and Security	10	Not started	
	ICT Governance Phase 2	15	Not started	
	IT Network Management and Security	15	Not started	
Total - ICT		**65**		
Assurance Audits - Public Health				
	Review of SLAs	15	Not started.	
Total - Public Health		**15**		
Special Investigations				
	National Fraud Initiative (NFI)	20	ongoing throughout year	n/a
	Special Investigations	40	ongoing	n/a
	Pro Active Anti Fraud:			
	Timesheet claims	10	Not started	
	Expense claims	10	Not started	
Total - Special investigations		**80**		
Ad Hoc Consultancy etc,				
	Risk Management Activities	35	ongoing throughout year	n/a
	Supporting Annual Governance Statement	5	12/13 AGS finalised	n/a
	Audit of Individual Grants	20	ongoing	n/a
	General Advice	20	ongoing throughout year	
	Head of Audit Chargeable Against Plan	60	ongoing throughout year	n/a
	Benchmarking Exercise	5	Completed	n/a
	Contingency	105	To date this has been used to supplement the consultancy budget for projects	
Total - Ad Hoc Consultancy etc.		**250**		
TOTAL CHARGEABLE DAYS REQUIRED		**1260**		

Meeting: **Audit Committee**

Date: **23 September 2013**

Subject: Risk Update Report

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

Summary: The purpose of this report is to give an overview of the Council's risk position as at August 2013.

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 Terms of Reference of the Audit Committee include the monitoring of the operation of the Risk Management Strategy. This report is the regular update report to assist the Committee in discharging its responsibilities.

11. The purpose of this report is to give an overview of the Council's risk position as at August 2013.

Risk Update

12. A fundamental review of the strategic risk register was undertaken approximately two years ago and since then it has been regularly reviewed and updated. However, in order to ensure that the risk register remains appropriate and correctly worded good practice suggests there should be a periodic fundamental review. In order to deliver this, a detailed refresh of the register is currently in progress. Discussions have taken place with senior managers across the Council and their views have been sought on the current risks facing the organisation.

13. Themes have emerged from these discussions which are currently being further considered in order to determine whether they represent either strategic or operational risks to the Council. These themes include:
    - the potential impact on the organisation of New Ways of Working including under the Your Space 2 programme
    - ability of partner organisations to cope with change and financial pressures e.g. Police and Health
    - impact on CBC if such organisations are significantly adversely affected by the impacts of change and pressure
    - uncertainties about Government grants/changes to local government funding in its broadest sense
    - impact of welfare reform agenda on the local population
    - resilience and the interdependencies of major projects
    - supply chain failure
    - information management and a failure to move from data collection to intelligence

14. The discussions have also identified areas where risks may have changed from strategic to operational; where activities or projects referred to in the Register have now been completed and should be removed or adjusted; and where the risk had now been alleviated due to processes being put in place. It is recognised that some of the risks previously included within the register should remain, but some may need to be recast to reflect the current position.

15. As this major piece of work is currently in progress, a detailed summary of the updated risks and their resulting risk scores has still to be developed and therefore a dashboard summary has not been attached to this report. Consideration is also being given to appropriate mitigating actions and controls. Work will continue on this during the Autumn with the engagement of Risk Champions within the directorates. Current risks and their scores remain as previously reported

Conclusion and Next Steps

16. Internal Audit and Risk will continue to coordinate and update the Strategic Risk register and a detailed update reflecting the revisions discussed in this report will be presented to the next Audit Committee.

Appendices:

None

Background Papers: (open to public inspection)

None

Location of papers:

N/A

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Meeting: **Audit Committee**

Date: **23 September 2013**

Subject: Tracking of Audit Recommendations

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

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

Advising Officer:	Charles Warboys, 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 direct 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 priority recommendations arising from internal audit inspections.

12. This paper represents the regular summary of high priority recommendations made to date, along with the progress made against implementation of those recommendations.

Tracking High Priority Recommendations

13. At the time of the last Audit Committee two high priority recommendations made prior to April 2012 remained outstanding. These related to the 2009/10 Payroll Audit and 2009/10 SAP Access and Security (including ITDR).

14. Since the last Committee the high priority recommendation relating to the 2009/10 Payroll audit has now been addressed. Travel claims and timesheets are now generally processed through the electronic Employee Self Service (ESS) system. The manual completion and authorisation of claim forms is expected to continue in some service areas for the next year due to restricted access to the necessary IT. A signatory list for all senior managers has recently been completed and is planned for use with manual expense claims. The revised processes will be reviewed as part of the 2013 /14 Audit Plan, to provide assurance that the revised procedures are robust.

15. The 2009/10 SAP Access and Security (including IT DR) recommendation remains outstanding. As has been reported to previous Committees, work is in progress to address this. There are a number of actions required to fully implement this recommendation. In order to enable the Committee to monitor progress made, the recommendation has been subdivided into a number of individual activities and progress against each of these elements is tracked at Appendix A.

16. Appendix B sets out the reports issued since during 2012/13 that contain high priority recommendations. The table below provides a summary by Directorate.

17. **Table 1 - Summary of Additional High Priority Recommendations Made during 2012/13**

	Corporate Services	Children's Services	Sustainable Communities	Social Care Health and Housing	Total	%
No. of Reports containing high recs.	3	0	0	3	6	
Recs:						
Completed GREEN	6	0	0	6	12	75
Ongoing- On schedule for completion within timescales GREEN	2	0	0	0	2	12.5
No work started Within target GREEN	0	0	0	0	0	0
Ongoing with deadline missed AMBER	2	0	0	0	2	12.5
No work started Deadline missed RED	0	0	0	0	0	0
Total Recs.	10	0	0	6	16	100

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

19. Three reports containing high priority recommendations have been issued since April 2013. These are detailed in Appendix C. Four high priority recommendations have been made. These have all either been completed by the due date, or are currently on schedule for completion by the due deadline.

20. Wherever possible evidence has been obtained to verify 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 still being implemented these will continue to be monitored.

Conclusion

23. In total there are now only 3 high priority recommendations that are amber (underway, with deadline missed). 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 priority recommendations have been implemented.

Appendices:

Appendix A – Detailed Tracking of the 2009/10 SAP Access and Security (incl. IT DR) Managed Audit Recommendation

Appendix B - Details of monitoring of High Priority Internal Audit recommendations - Reports issued during 2012/13

Appendix C - Details of monitoring of High Priority Internal Audit recommendations - Reports issued during 2013/14

Appendix D - Details of recommendations made prior to April 2013 that remain outstanding (excluding IT DR)

Background Papers:

None

Location of papers:

N/A

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2009/10 SAP Access and Security (incl. IT DR) Managed Audit

Recommendation R2: 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

Detailed Tracking of recommendation by activity

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
A Disaster Recovery Plan should be developed and approved. As a minimum, this should include:	A Disaster Recovery Plan (DRP) has been developed and approved by Information Assets Senior Management Team (IAMT). There are a number of areas that require further work as detailed below.	Complete
• the identification and prioritisation of key IT systems	Information Asset's assessment of Business critical locations, operations and/or systems should be informed by Business Continuity Plans (BCP). CMT approved BCP's should be used to define the agreed services and systems within Information Asset's DRP. Emergency Planning to work with Directorates on BCP's and those agreed BCP's should inform the Information Asset's DRP. A DRP to reflect BCP	Once the Business has agreed and approved Directorate BCP's

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
	priorities as agreed by the Corporate Management Team (CMT). Information Assets will meet with Emergency Planning and work with them to drive this forward. A recovery matrix will be developed and included in the DRP with prioritisation and categorisation columns. This will be presented to CMT for agreement and sign off. Completion of this recommendation is reliant on the Business.	
• the roles and responsibilities of relevant officers and third party suppliers	Engage Emergency Planning Team in development of Information Asset's DRP. Ensure that roles and responsibilities are clearly identified and agreed. Information Asset's to agree with Emergency Planning Team roles and responsibilities and update Information Asset's DRP with details of individuals to be contacted should DR be invoked.	March 2014
• a set of IT procedures which should be executed initially to react to crises/disaster	Detailed operational DR procedures to be developed and included in the DRP. Decision tree to be developed by IAMT to enable a structured and clear response to a DR event.	December 2013
• escalation procedures	Escalation procedures will be developed in-line with Information Asset's Structure and will be aligned with capabilities, knowledge and skill sets. Escalation processes with the Business will be developed in conjunction with Emergency Planning and will incorporate BCP's.	December 2013 Once the Business has agreed and approved Directorate BCP's
• salvage procedures that deal with retrieval of items from affected sites	Salvage process and procedures to be devised, working in partnership with ONI the co-location service provider, and included within DRP. The proposed procedure will be developed and included in the DRP.	March 2014
• the recovery and reconfiguration of all IT and communication systems	Information Asset's DRP should detail the prioritisation of CBC's services and systems in-line with the agreed Corporate BCP. Categorisation of those services should be identified within Information Asset's DRP and the recovery order agreed with CMT.	Once the Business has agreed and approved Directorate BCP's

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
	Business Continuity Plans should identify critical recovery time periods for their services before material losses. These time periods should be included in the recovery matrix of Information Asset's DRP. Recovery Time Objectives (RTO) to be developed and included within the DRP. Recovery matrix to be developed and included in DRP with prioritisation, categorisation columns. It shall also Include recovery time periods within Information Assets'. Signed off by IAMT. RTO's to be developed and included in Information Asset's DRP once recovery matrix is signed off and included. Completion of this recommendation is reliant on the Business.	
• details of additional accounts where monies may be sourced to aid recovery efforts	An agreed fund for DR should be identified and held available to support recovery of services in the event of an emergency. Secure confirmation from section 151 officer concerning source of funding. This recommendation is reliant on the Business	Once the Business has agreed additional funds
• a schedule in respect of the testing of the plan	An agreed DR test plan to be developed in-line with the Recovery Matrix and DR testing to be undertaken on an annual basis. DR Tests already underway, and will be performed as part of the incremental programme of DR capability enhancement. Back-up testing to be undertaken as part of annual DR test plan and included with the DRP. Back-up tests already underway, and will be performed as part of the incremental programme of DR capability enhancement Internal data centres to be moved to externally hosted sites which are in-line with SAS-70 and/or BS-25999	March 2014 March 2014 July 2014

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Details of Monitoring of High Risk Internal Audit recommendations as at End August 2013
Reports issued during 2012/13

CORPORATE SERVICES

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
Contract Management	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	
Payroll 2012-13 Phase 1	27/02/13	end December 2013	5	2	2	1	0	0	See R2
Total			**10**	**6**	**2**	**2**	**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	1	0	0	0	0	
Assurance on Client Charging 2011-12	08/02/13	end Nov 2012	2	2	0	0	0	0	
Ampthill Day Centre	28/02/13	end Jan 2013	3	3	0	0	0	0	
Total			**6**	**6**	**0**	**0**	**0**	**0**	

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Details of Monitoring of High Risk Internal Audit recommendations as at End August 2013
Reports issued during 2013/14

CORPORATE SERVICES

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
Grants Claim System	23/08/13	01/12/13	1	0	0	0	1	0	
Housing Benefits Phase 2 2012-13	25/07/13	30/04/13	1	1	0	0	0	0	
Total			**2**	**1**	**0**	**0**	**1**	**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
Houghton Regis Day Centre	24/06/13	31/07/13	2	2	0	0	0	0	
Total			**2**	**2**	**0**	**0**	**0**	**0**	

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Appendix D

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

<u>Corporate Services</u>

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 (revised) End February 2013 (revised) End July 2013 (revised) End December 2013
Current Position and Explanation for Slippage: Many of the guidance documents have been updated to reflect the audit findings; however the publication of these documents has been delayed due to the current processes around the restructure of the Procurement Team. The publication of the revised guidance documents was discussed at Recovery Board in June 2013. The first draft of the revised Procurement Procedure Rules was circulated in July 2013 and following the feedback received, a second draft is to be circulated in September 2013. The final version is anticipated to be approved by the General Purposes Committee before the end of the calendar year.

Payroll

Recommendation R2: The following action should be taken: • The monthly reconciliations statements for the payroll control accounts should be expanded to include an analysis and verification of the balances held. • The analysis and re-coding of the outstanding transactions on all Payroll Control accounts (7 accounts for CBC and one for BCC) should be completed as soon as possible. • The balances on the payroll related vendors' accounts should be investigated and cleared as appropriate. • The summary sheet detailing the completion of each month's reconciliations should be updated.
Rationale for Recommendation: The resolution of these issues would provide assurance on the validity and accuracy of the current balances.
Target Dates: March 2013 (revised) April 2014
Current Position and Explanation for Slippage: The reconciliations for all payroll control accounts (including vendor accounts) have been completed as far as possible and will be revisited at year end for the purposes of any balance write offs. The detail and analysis of the monthly reconciliations is under review and is expected to be revised in the next few months. All actions are on target for the revised deadline.