

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Monday, 30 June 2014

PRESENT

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

Cllrs R D Berry
K M Collins
N B Costin

Cllrs D J Lawrence
A Zerny

Members in Attendance: Cllrs P N Aldis
A R Bastable
Mrs S A Goodchild
M R Jones
Mrs J G Lawrence
M A G Versallion
B Wells

Officers in Attendance: 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: Mr M West Director – Ernst & Young LLP

A/14/1. **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 31 March 2014 be confirmed and signed by the Chairman as a correct record.

A/14/2. **Members' Interests**

Item 10 – Local Government Pension Scheme Update

Councillor D J Lawrence declared an interest as a voting member of the Pension Fund Committee of Bedford Borough Council (administering authority for the Bedfordshire Local Government Pension Scheme).

A/14/3. **Chairman's Announcements and Communications**

The Chairman advised the meeting that consultation had started on a proposed change to the statutory deadline for the production of local authority unaudited accounts. The current deadline was 30 June but, if adopted, the new deadline would be 31 May from 2017/18.

A/14/4. **Petitions**

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

A/14/5. **Questions, Statements or Deputations**

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

A/14/6. **Central Bedfordshire Statement of Accounts 2013/14**

The Committee received a presentation on the draft (unaudited) Statement of Accounts for 2013/14. The Chief Finance Officer, Head of Financial Control and Financial Controller took turns to introduce the presentation. In addition a supplement was circulated containing extracts from the unaudited Annual Statement of Accounts document. The extracts related to the following matters:

- the movement in reserves statement
- the comprehensive income and expenditure statement
- the balance sheet
- the cash flow statement
- officers' remuneration.

A copy of the slide pack for the presentation is attached at Appendix A to these minutes and a copy of the supplement is attached at Appendix B.

Note: Copies of the full unaudited Annual Statement of Accounts were also made available at the meeting. Due to its length a copy of the document is not attached to these minutes but it can be accessed through the following link:

http://www.centralbedfordshire.gov.uk/Images/CBC%20Accounts%2013-14%2C%20unaudited_tcm6-55578.pdf#False

Throughout the presentation Members raised questions and sought clarification on various issues. In summary the Chief Finance Officer emphasised that the Council was in a good financial position.

Further queries were then raised on a number of issues. In particular debate took place on the approximate 10% increase in the level of employer pension contributions disclosed in Note 31 of the unaudited Annual Statement of Accounts which set out the remuneration of senior officers. Following lengthy discussion officers confirmed that the rate of employer contributions to the Local Government Pension Scheme (LGPS) was the same for all officers and it was determined by the Actuary to the Pension Fund. The rate of employer contribution applied in 2012/13 was 21.9% of pensionable pay and it had increased to 23.9% of pensionable pay for 2013/14 which had resulted in the 10% year on year increase in employer contributions. The Chief Finance Officer explained that the template used for the table was prescribed and he was unable to add further columns for explanation. However, in view of the comments made by Members he undertook to prepare for similar queries from the public during the summer consultation period, should any arise.

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 (unaudited) Statement of Accounts for 2013/14.

A/14/7. **Annual Audit and Certification Fees 2014-15**

The Committee received a letter from Ernst & Young LLP confirming the annual audit and certification work that the external auditors proposed to undertake for the 2014/15 financial year. The letter stated that the 2014/15 fees reflected the risk-based approach to audit planning set out in the Code of Audit practice and the work mandated by the Audit Commission for 2014/15.

The Ernst & Young director introduced the letter and drew Members' attention to the Audit Commission's setting of the scale fee for each audited body as part of the recent five year procurement exercise and that, as a result, it was not liable to increase in that period without a change in scope.

Following further consideration of the letter the Chairman, on behalf of the Committee, thanked the director and Ernst & Young for the constructive approach they had adopted on this matter.

NOTED

the 2014/15 annual audit and certification fees letter from Ernst & Young LLP.

A/14/8. **Annual Governance Statement 2013/14**

The Committee considered a report by the Chief Legal and Democratic Services Officer which sought Members' approval of the draft Annual Governance Statement for 2013/14. The meeting was reminded that the

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 meeting noted that the draft Statement adopted the same format as in the previous two years.

The Head of Internal Audit and Risk introduced the report on behalf of the Chief Legal and Democratic Services Officer. She worked through the draft document and highlighted matters for Members' consideration. With regard to Part 5 of the draft Statement some debate took place on the identification by the Strategic Risk Register of a risk relating to the failure of partnerships as a result of conflicting priorities. In particular reference was made to the transfer of health care responsibilities and the associated funding of the service.

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

RESOLVED

that the draft Annual Governance Statement for 2013/14 be approved for submission to the Leader and Chief Executive to be formally signed off.

A/14/9. Local Government Pension Scheme Update

The Committee considered a report by the Chief Finance Officer which provided an update on recent developments in respect of the Local Government Pension Scheme, explained the governance arrangements in place and outlined the latest financial position of the Fund.

Following an introduction by the Head of Financial Control discussion took place with particular reference to the stabilisation of the Council's employer contribution rate and the related twenty year deficit recovery period.

NOTED

the Local Government Pension Scheme Update.

A/14/10. Internal Audit Annual Audit Opinion

The Committee considered the annual report by the Head of Internal Audit and Risk which presented an opinion on the overall adequacy and effectiveness of the Council's financial and other management internal controls.

The report set out the following:

- an opinion on the overall adequacy and effectiveness of Central Bedfordshire's framework of governance, risk management and control for the 2013/14 financial year
- a summary of the audit work undertaken that supported that opinion

- a highlight of the 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 actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and criteria
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

The Head of Internal Audit and Risk had concluded that whilst the internal control environment operated adequately during 2013/14 some areas of concern identified in the Annual Governance Statement needed to be dealt with promptly (minute A/14/8 above also refers).

NOTED

the Internal Audit Annual Audit Opinion report.

A/14/11. **Tracking of Audit Recommendations**

The Committee considered a report by the Chief Finance Officer which summarised the high priority recommendations arising from Internal Audit reports and the progress made in implementing them.

NOTED

the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing the recommendations to date.

A/14/12. **Audit Committee - Work Programme for 2014/15**

Members considered a report by the Chief Legal and Democratic Services Officer which set out the proposed Work Programme for the Committee for the 2014/15 municipal year.

RESOLVED

that the proposed Audit Committee Work Programme for the municipal year 2014/15, as attached at Appendix A of the report of the Chief Legal and Democratic Services Officer, be approved subject to deleting the requirement for updates on the Local Government Pension Scheme at the Committee's meetings on 22 September 2014 and 30 March 2015.

(Note: The meeting commenced at 10.00 a.m. and concluded at 12.11 p.m.)

This page is intentionally left blank



Appendix A

Draft Statement of Accounts

2013/14

Charles Warboys, Chief Finance Officer

Ralph Gould, Head of Financial Control

Nisar Visram, Financial Controller

1

Introduction

Chief Finance Officer

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
- Contain statutory disclosures, including those relating to Members interests, allowances and officer remuneration

Agenda

- Introduction – Charles Warboys
- Background and overview – Ralph Gould
- Comments on significant figures – Nisar Visram and Ralph Gould
- Conclusions and Next steps – Charles Warboys
- Any Questions

Background

- Since 2010/11 applying international accounting principles and policies – driven by private sector requirements as adapted for the public sector.

Background

- International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS)
- 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.

Background

- The Statements do several things
- - follow public sector accounting practice
 - comply with various statutory requirements (e.g. Council Tax requirements, transparency best practice, capital expenditure controls.)

One Example

- Actual Amounts paid in year to Bedfordshire LGPS - £16.9m and reversed out of the Income and Expenditure Statement
- Current Cost of pensions assessed under International Accounting Standard 19 (IAS 19) included in Statement of Accounts I and E £27.7m
- If not adjusted through the Movement in Reserves Statement potential impact on General Fund (Council Tax) of £10.8m

8

Other Examples

- Note 7 ‘Adjustments between Accounting Basis and Statutory Basis under Regulations’
- Note 27 ‘Amounts Reported for Resource Allocation Decisions’
- Note 23 Details 7 ‘Unusable Reserves’ including the Capital Adjustment Account and Collection Fund Adjustment Account
- Note 36 – Refers to Revenue Expenditure Funded by Capital Under Statute (REFCUS) £19.8m

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



Theme for analysing this years accounts

Council Reserves and Borrowing

- The Council has added to reserves in the financial year
- The Council's capital financing requirement has increased in the financial year, and the capital medium term financial plan projects an increase in future years
- With £16.4m of debt due to be repaid in 2014/15, it is likely the Council may need to borrow externally in the next financial year.

CBC Accounts - Surplus

- The Council made an overall Surplus of **£0.9m** in year.

	2012/13 (£m)	2013/14 (£m)
General Fund (GF) Balance	14.2	15.1
GF Reserves Earmarked for Specific Purpose	21.4	27.8

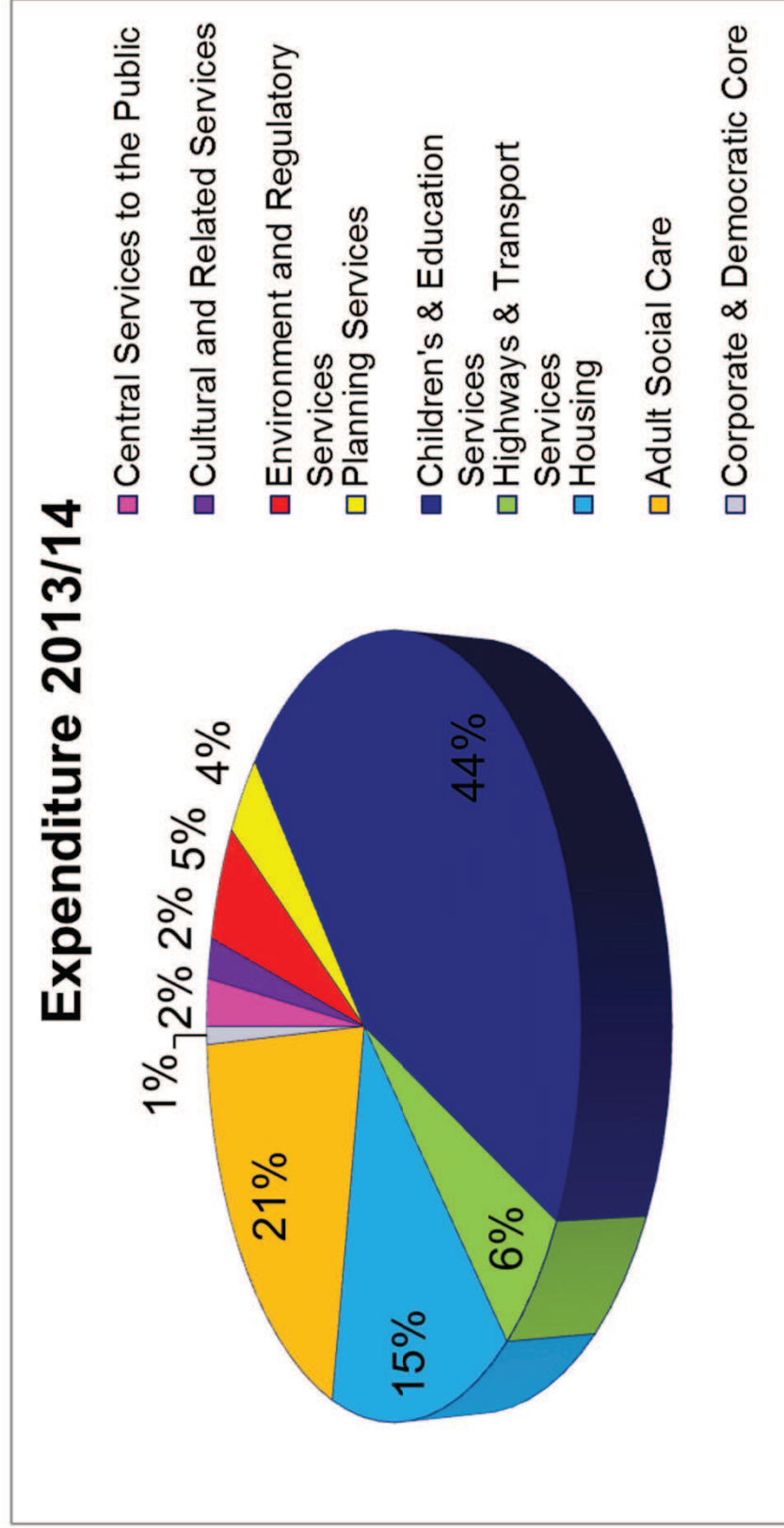
- Movement in Reserves Statement Page 17

The Purpose of General Fund Balances

- Key indicator of the financial health of the organisation
- A means for building up funds to meet known or predicted requirements. Where specific, funds are set aside as earmarked reserves
- A contingency to cushion the impact of unexpected events or emergencies
- Linked to risks facing the Council and the potential impact of those risks
- Can only be used once so not appropriate to fund continuing budget pressures

General Fund Balances in context

- Balances of £15.1m represent 3% of Gross Expenditure of £473m (including schools)



- Comprehensive Income and Expenditure Statement Page 19

The Purpose of General Fund Balances

A few of the future risks facing the Council for which General Fund balances may be used include:

- The impact of further funding cuts. Efficiencies of £25.6m are required over the next 3 years and further cuts may follow in the next parliament.
- The impact of reductions in the Council Tax support scheme and housing benefits on collection rates and the wider social impact.
- The risk of a major business leaving the area leading to reduced business rates income for the Council.

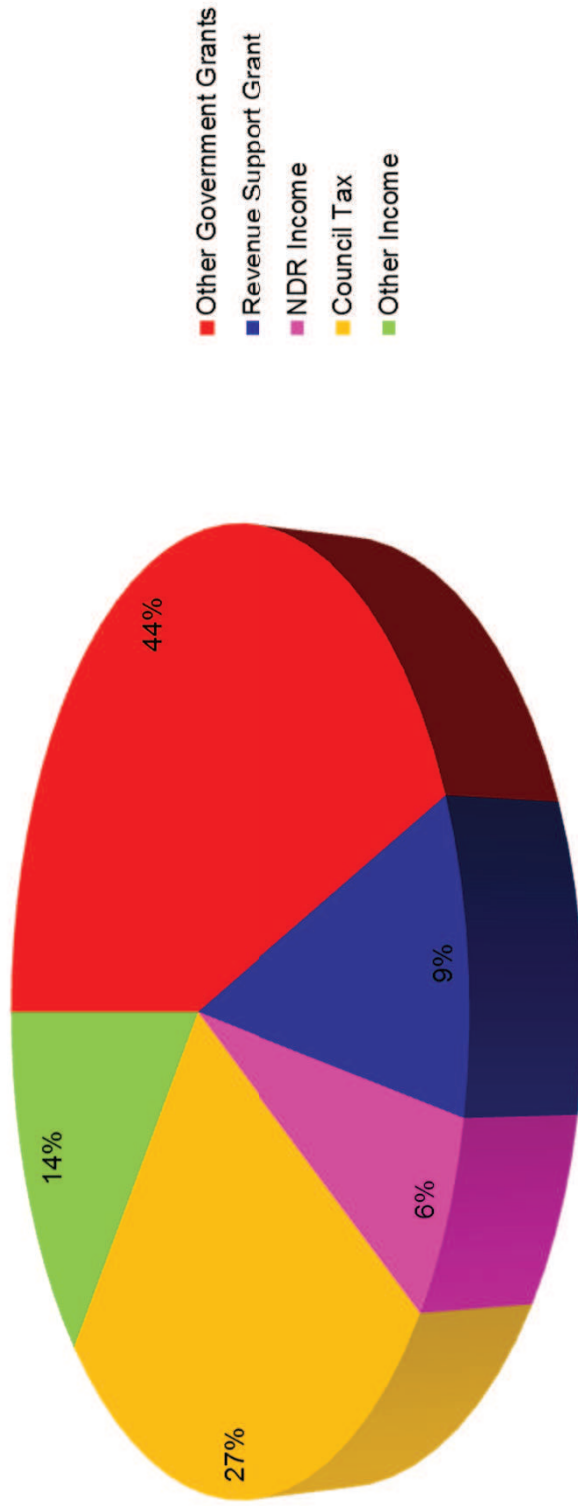
The Council received 53% of its income from Government Grant Funding and 27% from Council Tax.

6% of Council income in 2013/14 came from Business Rates

17

Sources of Council Income 2013/14

2013/14 Funding Sources



- Comprehensive Income and Expenditure Statement Page 19 and Grant Income Note 34 Page 78

General Fund Balances – Other Risks

Other risks which may require the use of General Fund Balances include:

- An increase in interest rates would increase the revenue implications of existing borrowing and future borrowing planned under the Capital MTFP.

A 1% increase in interest rates would have a £633k annual impact on the Council based on existing debt. (Note 45 Page 93)

- Significant population growth, 20% increase in those over 85 in the next few years (187% of those over 90 over the next 20 years), and the impact this will have on demand for the Council's services.
- The risk of failure of a major contractor of the Council impacting Council's budgets.
- The impact of major emergencies such as flooding, disease outbreak, IT failure or a major service failure in a Council service.

Balances in context - Assets held by the Council

The Council has assets worth £1,051m the most significant of which are:

	2012/13	2013/14
	£m	£m
Plant, Property and Equipment	836	876
Investment Properties	79	82
Cash and Investments	43	33
Debtors	48	47

The increase in Plant, Property & Equipment values are due to upward revaluations of Housing Stock and Capital Expenditure on Infrastructure assets

- Balance Sheet Page 20

Balances in context - Liabilities held by the Council

The Council has Liabilities worth £709m:

	2012/13	2013/14
	£m	£m
Borrowing	315	308
Creditors	37	45
Pensions Liability	304	307
Private Finance Initiative	17	17
Provisions	7	7
Capital Grants in Advance	55	25

£7m of borrowing matured in year. £28m of Schools Places funding was categorised as a Capital reserve in line with technical accounting requirements.

- Balance Sheet Page 20

Borrowing

- Cumulative borrowing requirement of £418m (£165m HRA and £253m General Fund)
- External Borrowing £307m (£165m HRA and £142m General Fund). 97% of this was from Central government via the Public Works Loan Board (PWLb). The rest of General Fund borrowing is borrowed from internal cash balances, with £33m remaining at the end of 2013/14

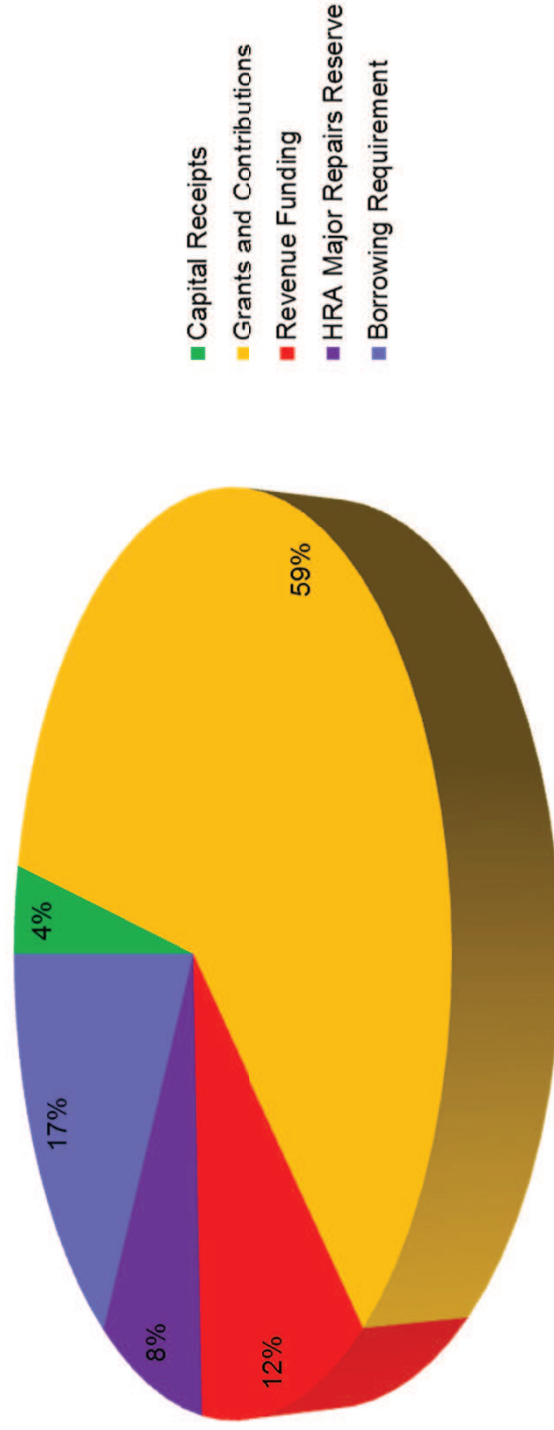
	2012/13	2013/14
	£m	£m
Cash and Cash Equivalents	23	19
Short Term Investments	20	14
Total	43	33

Financial Instruments Note 15 Page 60

Borrowing in context

- The Council spent £79.9m on capital expenditure in 2013/14, of which £13.9m was funded by increasing the Council's borrowing requirement.

Capital Funding 2013/14



Borrowing in context

- The Capital budget for 2014/15 will require the use of £46m of Council resources, increasing the borrowing requirement. £16.4m of borrowing matures for repayment in 2014/15.
- With £33m cash balances, it is likely that external borrowing will be required from the 2014/15 financial year
- The authorised borrowing limit for the General Fund is £474.7m outlined within the Treasury Management Strategy.

Borrowing in context

- Borrowing can be compared to the value of assets held by the Council

	Borrowing	Land and Buildings*
	£m	£m
HRA	165	308
General Fund	142	386

* Includes Investment Properties and Council Dwellings

In theory, assets could be sold by the Council to repay borrowing and capital receipts can offset the need for future borrowing

- Plant, Property and Equipment Note 12 Page 55

Borrowing in context

- The Council paid £9m as interest on debt and £7m as a statutory repayment of debt principal. Total financing costs are therefore £16m per annum.
- 25% of the Council's debt is variable with the remainder fixed.
- This represents 8% of the Council's net budget requirement and will increase in future.

	2014/15	2015/16	2016/17
	£m	£m	£m
Projected Borrowing*	51.4	91.4	112.7

* Source: *Treasury Management Strategy 2014/15*

- Adjustments Note 7 Page 46 and Financing and Investment Income and Expenditure Note 10 Page 53

26

Holdings and Borrowing Summary

- The Council has general reserves of £15.1m and £27.7m of earmarked reserves.
- The General Fund has a cumulative borrowing requirement of £253m related to capital expenditure, of which £142m has been externally borrowed and the rest by borrowing from internal cash balances
- Land and buildings held by the Council were valued at £386m
- Financing costs for borrowing were £16m
- With low cash balances, the Council expects to borrow externally in the near future based on capital plans.

Other Items: Non Domestic Rates (NDR)

- From 1 April 2013 the Council retained a share of business rates locally in lieu of receiving funds redistributed from Central Government.
- The Council collected £76m in Business Rates. Ultimately the Council retained £28m of the amounts collected with the remainder being paid over the Central Government and 1% of the amount collected paid to Bedfordshire Fire Services.
- 98.5% of Business Rates raised were collected in year
- This will be an increasingly important source of funding in the future.



Taxation and Non-Specific Grant Income and Expenditure note 11 Page

54

28

Other Items: Staff

- Number of staff paid over 50k in year (including redundancy)

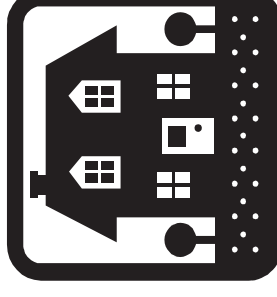
	2012/13	2013/14
Temporary Staff	73	77
Permanent	154	131
Redundancies included	(5)	(2)

- The contracts of 61 staff were terminated in year with £816k paid in redundancies
- The figures exclude members of the Corporate Management Team, who are disclosed individually on the Statement of Accounts



- Officers' Remuneration Note 31 Page 74

Housing Revenue Account (HRA)



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 £26m in rental income, whilst maintenance and management cost (£10m). £2.3m was held by the HRA as unapplied capital receipts.

£m	2012/13	2013/14
HRA General Balance	2	2
HRA Earmarked Reserves	13	19

Future Changes

- From 2016/17 Councils will have to value their roads and associated assets (bridges, street lights etc) at the cost of replacing the asset in its current condition. Currently these are valued at historical cost.
 - Infrastructure Assets are valued at £207m on the balance sheet. The accounting changes will increase these to over £1bn – significantly increasing the net worth of the Council's balance sheet. This is a technical change, and does not mean the Council is really worth more.
- CIPFA are currently consulting on proposals to include all schools excluding Academies onto the balance sheet of the council. Currently the Council only includes Community Schools.
- Statutory deadline for producing the accounts is currently 30 June 2014. Under proposed changes to the Accounts and Audit Regulations 2011 it is proposed this will be 31 May from 2017/18.

Pensions

- The CIES reflects IAS19 cost of pensions earned in year £27.7m
- No impact on net worth of authority in the accounts (Liability £307.1m matched by offsetting Unusable (negative) Reserve £307.1m)

Defined Benefit Pensions Scheme Note 42 Page 86

32

Pensions

- Assets and Liabilities follows IAS 19

	2012/13	2013/14	VAR
Liabilities	(£670m)	(£684m)	(2%)
Assets	£366m	£377m	3%
Net Total	(£304m)	(£307m)	(1%)

- Actual Contribution rates follow triennial fund valuation different basis used 31 March 2013 Liabilities £550m Assets £361m Deficit £189m (66% Funded)

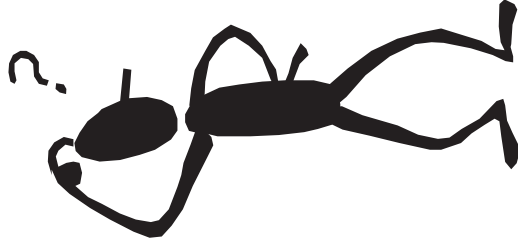
Conclusion and Next Steps

- Accounts show the overall financial health of the organisation, encouraging a focus on more than just the 'bottom line'
- CBC is in a strong financial position and has added to general and earmarked reserves, held to protect the Council against identified risks.
- There are significant uncertainties ahead relating to funding from Central Government
- Borrowing resulting from capital expenditure will be an important element of the accounts in future financial years.

Conclusion and Next Steps

- The accounts will be audited by Ernst & Young LLP from July – September
- Public Inspection Period 8th July – 2nd August
- The final accounts will be approved by Audit Committee in September

Any Questions?



APPENDIX B

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.

	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	
Usable Reserves 2013/14										
Balance at 31 March 2013	(14,199)	(21,434)	(2,000)	(9,937)	(3,437)	(657)	(1,480)	(13,042)	(66,186)	
Movement in Reserves during 2013/14:										
(Surplus)/deficit on provision of services	(13,295)	0	(22,682)	0	0	0	0	0	(35,977)	
Total Comprehensive I&E	(13,295)	0	(22,682)	0	0	0	0	0	(35,977)	
Adjustments between accounting basis and funding basis under regulations (note 7)	7,282	0	14,108	0	3,237	(1,689)	(23,864)	0	(926)	
Net (Increase)/decrease before transfers to Earmarked Reserves	(6,013)	0	(8,574)	0	3,237	(1,689)	(23,864)	0	(36,903)	
Transfers (to)/from Earmarked Reserves (note 8)	5,111	(6,330)	8,574	(8,574)	0	0	0	1,216	0	
(Increase)/Decrease in year	(902)	(6,330)	0	(8,574)	3,237	(1,689)	(23,864)	1,216	(36,903)	
Balance at 31st March 2014	(15,101)	(27,764)	(2,000)	(18,511)	(200)	(2,346)	(25,344)	(11,826)	(103,089)	
Unusable Reserves 2013/14										
Revaluation Reserve	£'000	Available For Sale	Pensions	Capital Adjustment Account	Deferred Capital Receipts	Financial Instrument	Collection Fund Adjustment Account	Short term Accumulated Absence	Unusable Reserve Total	Total Reserves
(46,494)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(13,605)	276	303,829	0	(483,292)	0	1,833	1,105	3,435	(219,303)	(285,494)
799	(128)	(7,510)	0	0	0	0	0	0	(21,244)	(57,221)
(12,806)	0	10,822	(8,342)	(8,342)	0	(116)	(343)	(493)	926	0
(59,300)	(128)	3,312	(9,743)	(9,743)	0	(116)	(343)	(493)	(20,317)	(57,220)
	148	307,141	(493,035)	(493,035)	0	1,717	762	2,942	(239,626)	(342,715)
Balance at 31 March 2013										
Other Comprehensive I&E										
Adjustments between accounting basis and funding basis under regulations (note 7)										
(Increase)/Decrease in year										
Balance at 31st March 2014										

<u>Usable Reserves 2012/13</u>	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	HRA Deferred Capital Receipts £'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	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	0	67,139
Total Comprehensive I&E	69,309	0	(2,170)	0	0	0	0	0	0	67,139
Adjustments between accounting basis and funding basis under regulations (note 7)	(78,299)	0	(5,862)	0	0	(3,237)	(657)	0	0	(88,055)
Net (increase)/decrease before transfers to Earmarked Reserves	(8,990)	0	(8,032)	0	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	0	(2,802)	0
(Increase)/Decrease in year	(3,280)	(2,908)	1,905	(9,937)	(9,937)	(3,237)	(657)	0	(2,802)	(20,916)
Balance at 31st March 2013	(14,199)	(21,434)	(2,000)	(9,937)	(9,937)	(3,437)	(657)	(1,480)	(13,042)	(66,186)

<u>Unusable Reserves 2012/13</u>	Revaluation Reserve £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Short term Accumulated Absence £'000	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)

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.

<u>2012/13</u>			<u>2013/14</u>		
<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000	<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000
Service Analysis					
7,400	(4,100)	3,300	8,596	(4,294)	4,302
0	0	0	13,426	(13,649)	(222)
9,316	(586)	8,730	8,848	(579)	8,269
26,108	(2,149)	23,959	24,875	(2,382)	22,492
18,249	(4,212)	14,037	17,655	(3,676)	13,979
205,131	(151,742)	53,389	199,627	(140,311)	59,316
24,939	(1,826)	23,113	26,074	(3,291)	22,783
17,010	(26,575)	(9,564)	1,738	(31,686)	(29,948)
85,017	(80,435)	4,582	69,006	(65,146)	3,861
92,718	(32,141)	60,577	97,402	(23,689)	73,713
2,975	(4,215)	(1,241)	4,000	(5,201)	(1,200)
1,183	(47)	1,136	1,784	(22)	1,762
490,046	(308,028)	182,018	473,033	(293,926)	179,107
Cost of Services					
Other Operating Expenditure²					
			Note		
91,538			9	33,719	
21,097 ³			10	20,242	
(227,181)			11	(269,046)	
67,472			(Surplus)/Deficit on Provision of Services		
(12,209)			12	(14,038)	
701			12	433	
(36)			15	(128)	
48,103 ³			42	(7,510)	
36,559			Other Comprehensive Income and Expenditure Statement- Deficit		
104,031			Total Comprehensive Income and Expenditure Statement- Deficit		
			(57,221)		

1 Public Health responsibilities were transferred to the Council on 1 April 2013.

2 Other Operating Expenditure includes academy type conversions of £27,883k (£49,739k in 2012/13).

3 Pensions figures for 2012/13 have been restated to reflect changes to International Accounting Standard 19 (IAS 19).

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is unusable reserves, i.e. those reserves that the Council may not use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold: and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<u>31</u> <u>March</u> <u>2013</u> <u>£'000</u>	<u>Note</u>	<u>31</u> <u>March</u> <u>2014</u> <u>£'000</u>	<u>31</u> <u>March</u> <u>2014</u> <u>£'000</u>
Long Term Assets			
835,634	Property, Plant & Equipment	12	876,480
78,809	Investment Properties	13	81,675
7,078	Intangible Assets	14	6,758
4,724	Long Term Investments	15	4,852
1,117	Long Term Debtors	15	574
927,362			970,340
Current Assets			
20,118	Short Term Investments- principal	15	14,124
2,700	Assets Held for Sale	19	606
48,093	Short Term Debtors	17	46,944
23,307	Cash and Cash Equivalents	18	19,083
94,218			80,757
Current Liabilities			
(8,792)	Short Term Borrowing	15	(17,552)
(37,183)	Short Term Creditors	20	(44,709)
(4,180)	Provisions	21	(4,456)
(3,435)	Provisions - accumulated absences	23	(2,942)
(53,590)			(69,658)
Long Term Liabilities			
(132)	Long Term Creditors	15	0
(17,409)	Private Finance Initiative (PFI)	38	(16,820)
(306,225)	Long Term Borrowing	15	(289,961)
(303,829)	Liability to Defined Benefit Pension Scheme	42	(307,141)
(54,901)	Capital Grants (receipts in advance) ¹	34	(24,801)
(682,496)			(638,722)
285,494	Net Assets		342,715
Total Reserves			
(66,186)	Usable Reserves	22	(103,089)
(219,308)	Unusable Reserves	23	(239,626)
(285,494)			(342,715)

¹ Schools Places funding of £27,930k in 2013/14 is categorised within capital grants unapplied within usable reserves. The 2012/13 allocation was treated as a capital grant receipt in advance.

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.

<u>2012/13</u> <u>£'000</u>		<u>Note</u>	<u>2013/14</u> <u>£'000</u>
(67,139)	Net surplus/(deficit) on the provision of services	24	32,978
133,498	Adjustment net surplus/(deficit) on the provision of services for non-cash movements	24	43,415
(33,819)	Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	24	(64,899)
32,540	Net cash flows from operating activities- inflow/(outflow)	24	14,494
(49,874)	Investing activities	25	(11,162)
(5,038)	Financing activities	26	(7,558)
(22,372)	Net increase/(decrease) in cash and cash equivalents		(4,224)
45,679	Cash and cash equivalents at 1st April		23,307
23,307	Cash and cash equivalents at 31st March	18	19,083

community equipment services to meet the needs of people living in the geographical area. During 2013/14 the Council continued responsibility for hosting the pooled budget.

The partners contributed funds to the agreed budget equal to 21% (CBC), 13% (BBC) and 66% (NHSB) of the budget respectively. The same proportions were used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement outlined below:

Bedfordshire Community Equipment Service:	2012/13		2013/14	
	£'000	£'000	£'000	£'000
Funding provided to the pooled budget:				
Central Bedfordshire Council	(448)		(469)	
Bedford Borough Council	(291)		(305)	
Bedfordshire CCG			(1,503)	
CBC - Paediatrics			(24)	
NHS Bedfordshire	(1,435)			
Total Funding		(2,174)		(2,301)
Expenditure met from the pooled budget:				
Luton Borough Council	0		0	
Central Bedfordshire Council	2,174		2,301	
Bedford Borough Council	0		0	
NHS Bedfordshire				
Total Expenditure		2,174		2,301

30. Members' Allowances

The Council paid, during the year, the following amounts:

	2012/13	2013/14
	£'000	£'000
Salaries	942	941
Allowances	3	3
Employers National Insurance	72	69
Pension Contributions	77	88
Expenses	130	123
Total	1,224	1,224

31. Officers' Remuneration

Senior Officers are defined by the Authority as any officer at Director level or above, plus the Chief Finance Officer (Section 151) and Monitoring Officer. During 2013/14, this classification included the:

- Chief Executive
- Six Directors
- The Chief Finance Officer (Section 151)
- Monitoring Officer
- Chief Legal & Democratic Services 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 2013/14 2012/13	181,300 181,331	1,300 1,062	182,600 182,393	43,331 39,705	225,931 222,098
Gary Alderson – Director of Sustainable Communities 2013/14 2012/13	0 130,340	0 440	0 130,780	0 28,544	0 159,324
Edwina Grant – Deputy Chief Executive & Director of Childrens Services 2013/14 2012/13	153,988 153,904	1,241 598	155,229 154,502	36,713 33,641	191,942 188,143
Julie Ogley – Director social Care, Health & Housing 2013/14 2012/13	140,562 140,561	827 613	141,389 141,174	33,594 30,783	174,983 171,957
Charles Warboys – Chief Finance Officer (S151) 2013/14 2012/13	89,973 89,082	833 1,170	90,806 90,252	21,503 19,509	112,309 109,761
John Atkinson – Monitoring Officer 2013/14 2012/13	83,952 70,903	544 572	84,496 71,475	10,596 15,528	95,092 87,003
Alan Fleming – BEAR & Programme Director 2013/14 2012/13	130,744 101,457	1,450 1,814	132,194 103,271	18,279 22,788	150,473 126,059
Marcel Coiffait – Director of Community Services 2013/14	96,833	394	97,227	23,143	120,370
Deb Clarke – Director of Improvement & Corporate Services 2013/14	101,250	299	101,549	0	101,549
Melanie Clay – Chief Legal & Democratic Services Officer 2013/14	39,058	0	39,058	9,335	48,393
Jason Longhurst – Director of Regeneration & Business Support 2013/14	9,821	0	9,821	2,348	12,169
Total 2013/14 2012/13	1,027,481 867,578	6,888 6,269	1,034,369 873,848	198,842 190,498	1,233,211 1,064,345

Alan Fleming –Business Services Director left the Council in January 2014 and the above includes a redundancy payment made in year.

Marcel Coiffait –Director of Community Services commenced April 2013

Deb Clarke - Director of Improvement & Corporate Services commenced in a permanent role in July 2013, prior to which she was the Interim Assistant Chief Executive. She was paid £50k from April to July 2013 (£170k in 2012/13) which included fees for Deb Clarke and a margin for the interim management company.

Melanie Clay - Chief Legal & Democratic Services Officer commenced October 2013.

Jason Longhurst - Director of Regeneration & Business Support commenced February 2014.

There were no other payments in either year to Senior Officers in relation to bonuses.

The Council's other employees (excluding those individuals listed above within senior employees) receiving more than £50k remuneration for the year (excluding employer's pension contributions) were paid in the following bands:

	<u>2012/13</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2013/14</u>
	<u>Number of permanent employees</u>	<u>Number of permanent employees</u>	<u>Number of temporary employees and interim managers</u>	<u>Number of temporary employees and interim managers</u>
£50,000-£54,999	51	41	9	15
£55,000-£59,999	31	24	17	13
£60,000-£64,999	40	33	18	17
£65,000-£69,999	8	6	5	5
£70,000-£74,999	6	8	5	6
£75,000-£79,999	4	8	3	6
£80,000-£84,999	4	4	3	3
£85,000-£89,999	5	4	3	0
£90,000-£94,999	2	0	0	4
£95,000-£99,999	0	1	0	5
£100,000-£104,999	1	0	5	1
£105,000-£109,999	0	1	0	1
£110,000-£114,999	2	0	1	0
£115,000-£119,999	0	0	1	0
£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	0
£140,000-£144,999	0	0	1	0
£145,000-£149,999	0	0	1	1
£150,000-£154,999	0	1	0	0
Total	154	131	73	77

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

Exit Packages:

The total cost of £816k 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)	
	2012/13	2013/14	2012/13	2013/14
£0 - £20K	54	50	416	294
£20 - £40K	13	6	342	177
£40 - £60K	2	4	94	189
£60 - £80K	2	0	139	0
£80 - £100K	3	0	266	0
£100 - £150K	0	0	0	0
£150 - £200k	0	1	0	156
Total	74	61	1,257	816

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:

	2012/13 £'000	2013/14 £'000
Fees payable to Audit Commission with regard to external audit services carried out by appointed auditor for the year	185	185
Fees payable to Audit Commission for certification of grant claims and returns for the year	55	52
Less: Rebates received from the Audit Commission	(20)	(25)
Total	220	212

33. Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements were £11,826k at 31 March 2014 (£13,042k in 2012/13), which is carried forward into 2014/15

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), provided by the Department of Education. 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 2013/14 was used are as follows:

<u>Schools budgets funded from DSG:</u>	<u>Central Expenditure</u>	<u>Individual Schools Budgets</u>	<u>2013/14</u>

This page is intentionally left blank