

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in the Council Chamber, Priory House, Chicksands, Shefford on Monday, 29 June 2015

PRESENT

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

Cllrs D J Lawrence
R Morris

Cllrs D Shelvey
A Zerny

Apologies for Absence: Cllr P Downing

Substitutes: Cllr Mrs J G Lawrence (In place of P Downing)

Members in Attendance: Cllrs R D Berry
A D Brown
Mrs C F Chapman MBE
J Chatterley
K M Collins
F Firth
Mrs S A Goodchild
J G Jamieson
M A G Versallion
R D Wenham

Officers in Attendance: Mr R Gould Head of Financial Control
Mr L Manning Committee Services Officer
Mr G Muskett Head of Revenues and Benefits
Mrs K Riches Head of Internal Audit and Risk
Mr C Warboys Chief Finance Officer

Others In Attendance: Mrs H Rothwell-
Trickett Ernst & Young LLP

AUD/15/1. Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 30 March 2015 be confirmed and signed by the Chairman as a correct record.

AUD/15/2. Members' Interests

Councillor D Bowater declared a personal interest with regard to item 11 (Local Government Pension Scheme Update) because he had been appointed as a representative of Leighton-Linslade Town Council.

AUD/15/3. Chairman's Announcements and Communications

The Chairman asked all attendees to turn off their mobile telephones.

The Chairman informed Members that he would be presenting the Annual Audit Report to the July meeting of Council.

AUD/15/4. 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.

AUD/15/5. 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.

AUD/15/6. Central Bedfordshire Statement of Accounts 2014/15

Members received a presentation on the unaudited Statement of Accounts for 2014/15. The presentation was introduced by the Chief Finance Officer and Head of Financial Control who circulated paper copies of the presentation slide pack together with copies of a document entitled 'Unaudited Statement of Accounts – Central Bedfordshire Council 2014/15' and copies of a document entitled 'Core Financial Statements 2014/15 – Note 32 Remuneration' which contained extracts from the unaudited Statement of Accounts.

A copy of the slide pack is attached at Appendix A to these minutes and a copy of the Core Financial Statements document is attached at Appendix B. Because of its length a copy of the Unaudited Statement of Accounts is not attached as an appendix but can be accessed through the following link:

<http://www.centralbedfordshire.gov.uk/council-and-democracy/spending/annual-accounts-financial-information/default.aspx>

Members raised questions and sought clarification on various matters during the presentation.

The Chief Finance Officer informed the meeting that the documents before them clearly indicated that the Council was in a strong financial position though uncertainty remained regarding future government funding and the Council's reserves needed to be viewed in that context.

The Chief Finance Officer stated that he had signed the unaudited Statement of Accounts and would pass it to Ernst and Young LLP at the end of the meeting. The company would carry out the audit over the summer with public inspection rights taking place between 6-31 July 2015. The fully audited Statement of Accounts would be submitted to the meeting of the Audit Committee on 28 September 2015 for approval.

At the conclusion of the presentation a Member referred to the increase in the pension deficit as disclosed in the Statement of Accounts which, at £379.6m, had increased by £72.5m in the year to 31 March 2015. The Head of Financial Control explained that the Local Government Pension Scheme deficit in the Statement of Accounts was measured in line with International Accounting Standard 19 (IAS19). This IAS19 measure used the yield on bonds at the 31 March 2015 to discount the Pension Fund's liabilities and changes in bond market yields had a significant impact on the level of estimated liabilities. Market rates of interest paid on corporate and government bonds had been in decline for many years which had increased pension scheme liabilities. Short term volatility in bond prices also meant that the calculation of liabilities could vary significantly within a short time period. The Head of Financial Control advised that, in the year ended 31 March 2015, the change in financial assumptions to measure liabilities had increased the liabilities by £98,710m. Importantly, the actuarial calculation determining employers' contribution rates was carried out on a different actuarial basis.

The Member suggested the possibility of finding alternative sources of investment that would secure greater returns. The Head of Financial Control explained that the Pension Fund's investment approach was to seek an appropriate level of return that reflected both the scheme's liabilities and risks. A later agenda item explained the approach in more detail (minute AUD/15/10 refers).

The Member then referred to employee remuneration and the increase in the numbers below senior officer level being paid more than £50k a year. He commented that more detailed information and a comparison with a plc of a similar size to the Council would improve the disclosure note. In response the Chief Finance Officer indicated that the note included officers and teachers and that the increase in numbers was largely related to national pay awards in the year and split broadly equally between teachers and officers. Further, salary bands had remained unchanged for approximately 10 years so the impact of pay awards and increments moved employees into higher remuneration bands. The Member acknowledged the impact of annual inflation but felt that this supported the case for further data to be supplied. He then sought further information on the number of job terminations. In response the Chief Finance Officer referred to the information contained on page 84 of the unaudited Statement of Accounts and reminded the meeting that whilst there were initial costs for exit (redundancy) packages there were substantial ongoing savings by no longer requiring those posts.

The Chairman thanked the Chief Finance Officer and Head of Financial Control for their presentation.

NOTED

the presentation on the unaudited Statement of Accounts for 2014/15.

AUD/15/7. Annual Audit and Certification Fees 2015-16

The Committee received a letter from the Council's external auditors, Ernst and Young LLP, to the Chief Executive. The letter confirmed the audit and certification work that the company proposed to undertake for the Council during the 2015/16 financial year.

The letter stated that the 2015/16 audit would be the first the company would carry out following the closure of the Audit Commission and that its contract would be overseen by Public Sector Audit Appointments Ltd until it ended in either 2017 or 2020 if extended by the Department of Communities and Local Government. The meeting noted that the scale fee was based on the fee initially set in the Audit Commission's 2012 procurement exercise subsequently reduced by 25% following the further tendering of contracts in March 2014.

Whilst informing the meeting that the closure of the Audit Commission had resulted in further rebates to the Council the Chief Finance Officer advised that the scope of the work to be carried out by the external auditors was now more tightly defined than previously and that, should the Council require additional work outside the Code of Audit Practice, then further charges would arise.

NOTED

the 2015/16 annual audit and certification fees letter to the Chief Executive from Ernst & Young LLP.

AUD/15/8. Annual Governance Statement 2014/15

Members considered a report by the Chief Legal and Democratic Services Officer and Monitoring Officer which sought Members' approval of the draft 2014/15 Annual Governance Statement. The Head of Internal Audit and Risk introduced the report and highlighted particular issues of note. She also drew attention to a proposed amendment to part 2.9 of the draft Statement which clarified that the formal processes for registering complaints in respect of housing landlord functions referred specifically to the Council's housing landlord functions.

The Committee was of the opinion that the draft Statement accurately reflected the governance arrangements and the management of risk within the Council.

RESOLVED

that the draft Annual Governance Statement for 2014/15 be approved for submission to the Leader and Chief Executive to be formally signed off subject to first amending the final sentence in Part 2.9 of the document to read as follows:

‘There are also formal processes for registering complaints in respect of the Council’s housing landlord functions’.

AUD/15/9. Annual Counter Benefit Fraud Update

The Committee considered a report by the Chief Finance Officer which provided an update on the work of the recently formed Corporate Fraud Investigation Team.

The Head of Revenues and Benefits introduced the report and drew Members’ attention to the circumstances behind the formation of the team and the development of an annual work programme for it. It was noted that an annual report on the outcome of the work programme would be presented to the Committee. The Head of Revenues and Benefits then referred specifically to a nationally emerging fraud area involving business rates and to the ongoing counter fraud work regarding claims for the Council Tax Single Person Discount (SPD). In response to a Member’s query the Head of Revenues and Benefits stated that, based on the level of costs so far recovered, he was optimistic that the service provided by the team would be cost neutral.

The Head of Revenues and Benefits then introduced the accompanying presentation entitled ‘Council Tax Single Person Discount Review’. A copy of the slide pack was attached at Appendix A to the report and set out the legislation, Central Bedfordshire Council context, the previous review process employed, the background to the 2015/16 SPD review, the procedure being followed and the likely outcomes. The meeting noted that the review had already generated substantial savings since it had started in May.

The Head of Revenues and Benefits stated that he would update Members on the outcome of the review if required.

A Member raised a query relating to the retention of any personal data that had been gathered as part of the review in situations where no additional action was taken. In response the Head of Revenues and Benefits explained that data relating to residents’ Council Tax records had to be kept as the Council was required by statute to do so. He also pointed out that there was no allegation of fraud during the review and it was attempting to establish why there was a credit data mismatch indicating the apparent presence of another person(s) at the resident’s address.

In response to a query regarding the means by which those residents who lacked access to the internet were able to supply the personal information requested, the Head of Revenues and Benefits explained that residents could,

alternatively, contact the company undertaking the review on the Council's behalf and provide the information by telephone.

NOTED

- 1 the formation of the Corporate Fraud Investigation Team and the development of the team's annual work programme;**
- 2 the ongoing Council Tax Single Person Discount review.**

AUD/15/10 Local Government Pension Scheme Update

The Committee considered a report by the Chief Finance Officer which provided an update on the governance of the Local Government Pension Scheme (LGPS).

The Head of Financial Control introduced the report, Members noting in particular the recent establishment of a Pension Board from 1 April 2015 and its role of assisting the Pension Committee to secure compliance with regulations and ensure the effective and efficient governance and administration of the LGPS.

The Head of Financial Control advised Members that the report had also been considered by the General Purposes Committee on 25 June 2015 when discussions had taken place regarding the risk profile of the Bedfordshire Pension Fund (minute GPC/15/9 refers). A Member sought clarification on how the Fund's investment return compared with that of other local authorities. In response the Head of Financial Control explained that whilst approximately 10-20 years ago all local authorities compared their pension fund investments to the WM local authority average many funds had, since then, developed specific benchmarks to reflect their particular liabilities and risk appetites. It was therefore important to ensure that any performance comparison was made against the scheme's specific, chosen benchmark. Performance information for the Fund, its benchmark and the average local authority return was set out within the report. The average local authority fund had tended to have a greater allocation to equities than the Bedfordshire Fund's strategic asset allocation.

NOTED

the Local Government Pension Scheme update.

AUD/15/11 2014-15 Internal Audit - Annual Audit Opinion

The Committee considered the annual report by the Head of Internal Audit and Risk to those charged with governance on the overall adequacy and effectiveness of Central Bedfordshire Council's financial and other management internal controls. The meeting noted that under the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013, the Head of Internal Audit and Risk was required to deliver such a report to those

charged with governance, timed to support the Annual Governance Statement (minute AUD/15/8 above refers).

Following an introduction by the Head of Internal Audit and Risk, Members worked through the report which set out the following matters:

- an opinion on the overall adequacy and effectiveness of Central Bedfordshire's framework of governance, risk management and control for the 2014/15 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 emphasised the large number of initiatives for continuous improvement whilst the Chief Finance Officer explained that the term 'adequate' (assurance), which had been used to describe the Council's overall Internal Control environment, was actually positive and second only to 'full' (assurance).

NOTED

the 2014/15 Internal Audit Annual Audit Opinion.

AUD/15/12 Tracking of Internal Audit Recommendations

The Committee considered a report which summarised the high priority recommendations arising from Internal Audit Reports and the progress made in implementing them.

A Member sought clarification regarding the slippage in preparing and validating the Teachers' Pensions End of Year Certificate (EOYC) for 2013/14. In response the Head of Internal Audit and Risk and Head of Financial Control advised the meeting that, whilst progress had been made in securing the data from the schools' own payroll providers, a number of difficulties remained in obtaining validated data in a timely manner.

NOTED

the report setting out the high priority recommendations arising from Internal Audit reports and the progress made in implementing the recommendations to date.

AUD/15/13 Work Programme

Members considered a report which set out the Committee's work programme for today's meeting and the proposed work programme for the 2015/16 municipal year.

In response to a request from a Member that an update on the audit of the European Union's accounts be included as a future item, the Chairman advised that, whilst Ernst and Young LLP could be alerted to this, it was unlikely that the company would regard this issue as falling within its remit.

RESOLVED

that the proposed Audit Committee work programme for the municipal year 2015/16, as attached at Appendix A of the report of the Committee Services Manager and Committee Services Officer, be approved.

(Note: The meeting commenced at 10.00 a.m. and concluded at 12.45 p.m.)

Chairman

Dated

Appendix A



Unaudited Statement of Accounts 2014/15

Presentation to Members 29/6/2015

Charles Warboys, Chief Finance Officer

Ralph Gould, Head of Financial Control

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, expenditure, assets and liabilities 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 – Charles Warboys
- Commentary on the statements – Ralph Gould
- Conclusions and Next steps – Charles Warboys
- Any Questions

Background

- International Financial Reporting Standards (IFRS) applied from 2010/11 – driven by private sector requirements as adapted for the public sector.
- Important differences with the private sector
 - Tax raising powers
 - No profit motive but an important legal emphasis on Stewardship, Probity and Transparency
 - Multiple statutory obligations to incur expenditure
 - Local Authorities cannot use assets to secure borrowing
 - Access to the Public Works Loans Board

Background

- International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS)
- Interpreted for UK 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 supported by a Practitioner's Guide.

Background

- The Statements do several things
 - follow public sector accounting practice
 - comply with various statutory requirements (e.g. Council Tax requirements, Housing Revenue Account ring fence, transparency best practice, capital expenditure controls.)
- Requires a number of Unusable Reserves to implement

An Example

- **Removed** - Actual Amounts paid in year to Bedfordshire LGPS - £17.8m reported to the Council as Expenditure by services (13/14 £16.9m) - Note 43
- **Replaced with** - total post – employment benefits charged in the Comprehensive Income and Expenditure Account – as calculated under International Accounting Standard 19 (IAS 19) £29.5m (13/14 £27.7m)
- If not removed through the Movement in Reserves Statement (page 15 and Note 7) a negative impact on the General Fund (i.e. Council Tax) of £11.7m

Other Examples

- Note 7 ‘Adjustments between Accounting Basis and Statutory Basis under Regulations’
- Note 27 ‘Amounts Reported for Resource Allocation Decisions’ effectively the Council’s management Accounts agreed to the Statement of Accounts
- Note 23 Details movements on 7 (14/15) ‘Unusable Reserves’ including the Capital Adjustment Account and Collection Fund Adjustment Account

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 – 47 Notes, pages 22 - 108

Overview of the document

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

Commentary on the statements

Handout

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash flow Statement

Employee Remuneration Note 32



Theme for analysing this years accounts

Implications of Interest Rates at unusual levels

- The Council's capital financing requirement (need to borrow) has increased in the financial year, and the capital medium term financial plan projects an increase in future years
- With a further £9.4m of debt due to be repaid in 2015/16, the Council will need to borrow externally in the next financial year.
- Movements in the market rates of interest paid on Corporate and Government Bonds has a significant impact on estimated liabilities of pension funds.

UK Base rate 1971 to 2015



UK 10 Year Bond Yields 1981 to 2015



SOURCE: WWW.TRADINGECONOMICS.COM | DEPARTMENT OF TREASURY, UK

Usable Reserves

	31/03/2014	31/03/2015	Increase / (Reduction)	SoA Ref
	£000	£000	£000	
General Fund (GF)	15,101	15,303	202	
GF Earmarked Reserves	27,764	31,138	3,374	Note 8
Housing Revenue Account (HRA)	2,000	2,000	0	HRA page 110
HRA Earmarked Reserves	18,511	18,357	(154)	Note 8
HRA Major Repairs Reserve	200	200	0	HRA page 112
Capital Receipts Reserve	2,346	3,451	1,105	
Capital Grants Unapplied	25,344	15,060	(10,284)	
Schools Reserves	11,826	11,689	(137)	
Total Usable Reserves	103,092	97,198	(5,894)	

Unusable Reserves

	31/03/2014	31/03/2015	(Increase) / Reduction	SoA Ref
	£000	£000	£000	Note 24
Revaluation Reserve	(59,300)	(92,029)	(32,729)	(a)
Available for Sale	148	(4)	(152)	(b)
Pensions	307,141	379,640	72,499	(e)
Capital Adjustment Account	(493,035)	(530,424)	(37,389)	(c)
Financial Instruments	1,717	1,601	(116)	(d)
Collection Fund Adjustment Account	2,653	138	(2,515)	(f)
Short Term accumulated absences	2,942	2,472	(470)	(g)
Total Unusable Reserves	(237,734)	(238,606)	(872)	
<i>Total Usable Reserves</i>	<i>(103,092)</i>	<i>(97,198)</i>	<i>5,894</i>	
Total CBC Reserves	(340,826)	(335,804)	5,022	

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

Comprehensive Income and Expenditure

2013/14			2014/15		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
473,033	-293,926	179,107	490,879	-299,921	190,962
Cost of Services			Note		
	33,719	Other operating expenditure		9	10,852
	20,242	Financing and investment income and expenditure		10	19,498
	-267,155	Taxation and non-specific grant income and expenditure		11	-239,017
	-34,087	(Surplus) / deficit on Provision of Services			-17,705
	-14,038	Revaluation (gains) / losses on non-current assets		24a	-41,765
	433	Revaluation losses (chargeable to Revaluation Reserve) on non-current assets		24a	3,885
	-128	(Surplus) / deficit on revaluation of available for sale assets		24b	-152
	1,279	Return on plan assets – pensions		43	-30,821
	-8,789	Actuarial (gains) / losses on pension fund assets and liabilities		43	91,582
	-21,243	Other comprehensive income and expenditure - (surplus) / deficit			22,729
	-55,330	Total Comprehensive Income and Expenditure Statement - (Surplus) / Deficit			5,024

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ASSETS

	31-Mar-14	31-Mar-15	SoA
	£'000	£'000	Note
Property, plant & equipment	876,480	974,623	12
Investment property	81,675	85,150	14
Intangible assets	6,758	8,821	15
Long-term investments	4,852	5,004*	16
Long-term debtors	574	564	16
Long-term assets	970,339	1,074,162	
Short-term investments	14,124	568**	16
Current assets held for sale	606	173	20
Short-term debtors	46,944	47,697	18
Cash and cash equivalents	19,083	1,799	19
Current assets	80,757	50,237	
Total Assets	1,051,096	1,124,399	

*LT Inv -
Lime
Property
Fund

** ST Inv -
deposits at
3 months
notice

Schools Non-current assets

- Note 3 – Critical judgements in applying accounting policies
- Previous practice not to recognise the Land and Buildings of maintained schools owned by a diocese or in trust. Existing use value approx £60m.
- Practice is inconsistent nationally much activity from HM Treasury and CIPFA – Whole of Government Accounts – address the matter

CBC approach maintained Schools non-current assets

Maintained School Type	Number at 31/3/15	Control of Property Non-Current assets
Community	57	Central Bedfordshire Council / individual governing bodies
Foundation	1	Bedfordshire East Schools Trust
Foundation	2	Harlington Area Schools Trust
Foundation	6	The Pinnacle Trust
Foundation	3	The Vale of Marston Schools Trust
Voluntary Aided	2	Northampton RC Diocese
Voluntary Aided	10	St Albans C of E Diocese
Voluntary Controlled	9	St Albans C of E Diocese
Total	90	

Outline Reasons

- All 90 maintained schools revenue transactions and main reserves are consolidated (*always have been*) into the Council's Statement of Account as a single entity. (IFRS 10 – Consolidated Financial Statements)
- Examined governance documentation and ownership records of non-community schools to consider if the '*resource is controlled by the Authority as a result of past events and from which future economic benefits or service potential are expected to flow to the Authority*'
- Ownership is not the same as control. IAS 16 *Property, Plant and Equipment* and the *Conceptual Framework for Financial Reporting 2010 (IASB Conceptual Framework)*

Outline reasons continued

- Ownership is with either the diocese or School Trusts
- No evidence of any lease arrangement where owners or trustees have transferred control of land and buildings to the Council. IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*.
- The trustees or organisations owning the non-current assets allow those assets to be used in line with the objectives of the Council without assigning the substantive control.
- Under *Section 30(11) of the School Standards and Framework Act 1998* the trustees or other organisations owning the non-current assets can, subject to a reasonable period of notice, remove the assets from the maintained school sector.

Liabilities

	31-Mar-14	31-Mar-15	SoA
	£'000	£'000	Note
Short-term borrowing	-17,552	-31,603*	16
Short-term creditors	-44,709	-43,054	21
Provisions	-6,346	-7,283	22
Provisions - accumulated absences	-2,942	-2,472	24g
Current liabilities	-71,549	-84,412	
Private Finance Initiative (PFI)	-16,820	-16,268	39
Long-term borrowing	-289,961	-280,632	16
Net liability related to defined benefit pension schemes	-307,141	-379,640	43
Capital grants (receipts in advance)	-24,801	-27,643	35
Long-term liabilities	-638,722	-704,183	
Current and LT Liabilities	-710,271	-788,595	
<i>LT and Current Assets</i>	<i>1,051,096</i>	<i>1,124,399</i>	
Net Assets	340,825	335,804	

*ST Borrowing - less than 365 days to maturity fixed market debt and maturing variable rate debt.

Capital Expenditure and Borrowing Requirement

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2009- 2015 £'000
Opening Capital Financing Requirement	192,351	211,473	200,516	374,571	399,434	418,184	<i>for info</i>
Capital investment:							
Property, plant and equipment	41,231	38,873	39,360	51,715	61,962	71,173	304,314
Investment property	0	0	97	84	101	335	
Intangible assets	0	1,369	1,415	527	228	784	
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	10,619	12,103	23,890	21,085	19,773	32,241	119,711
Debt as a result of HRA self financing	0	0	164,995				164,995
Total Spend for Capital purposes	51,850	52,345	229,757	73,411	82,064	104,533	
<i>memo line adjusted for HRA financing</i>	51,850	52,345	64,762	73,411	82,064	104,533	428,965
Sources of finance:							
Capital receipts (<i>Applied</i>)	(1,490)	(29,826)	(3,780)	(3,665)	(2,851)	(1,636)	(43,248)
Government grants and other contributions	(25,514)	(24,722)	(41,808)	(38,481)	(44,564)	(49,290)	(224,379)
Major Repairs Allowance (<i>HRA</i>)			(3,805)	0	(6,569)	(3,597)	(13,971)
Sums set aside from revenue:							
Direct revenue contributions (<i>incs HRA</i>)	(702)	(1,502)	(1,288)	(528)	(2,256)	(9,632)	(15,908)
Minimum Revenue Provision (MRP) / PFI principal	(4,473)	(7,025)	(5,534)	(5,874)	(7,074)	(7,250)	(37,230)
Other movements	(549)	(227)	(2,778)				
Total Financing in year	(32,728)	(63,302)	(58,993)	(48,548)	(63,314)	(71,405)	(338,290)
Closing Capital Financing Requirement	211,473	200,516	371,280	399,434	418,184	451,312	
Increase/(decrease) in Capital Financing Requirement	19,122	(10,957)	170,764	28,154	18,750	33,128	258,961

Cumulative borrowing Need (ex HRA) 2009/15 93,966

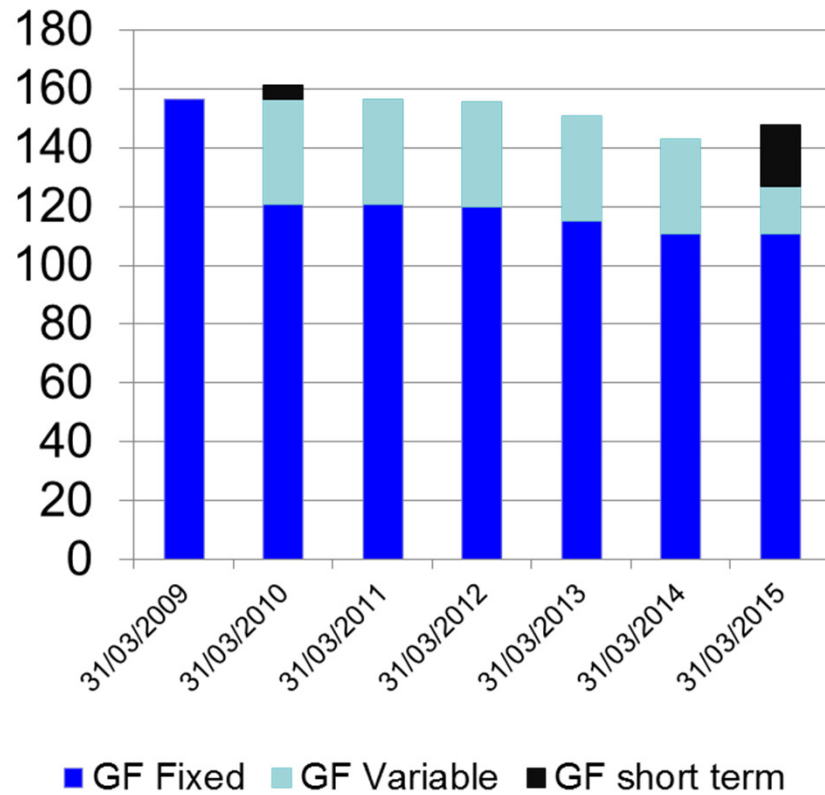
Total Borrowing as at 31st March 2015

	GF	Average rate	HRA	Average rate	Total	Total Average Rate
Variable	£16m	0.66%	£45m	0.65%	£61m	0.65%
Fixed	£111m	4.33%	£120m	3.10%	£231m	3.69%
Short term Debt	£21m	0.34%	-	-	£21m	0.34%
Total*	£148m	3.83%	£165m	2.43%	£313m	3.04%

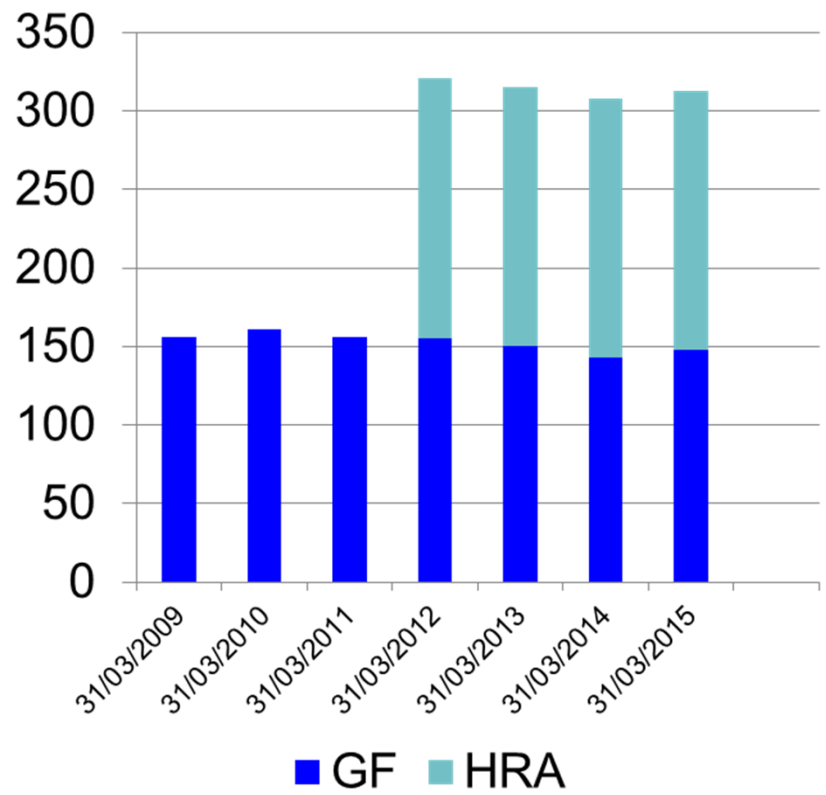
* Total Debt value on SOA includes accrued Interest payable

Debt Since 2009

GF Debt



Total Debt



CBC Debt

Nominal Value V Fair Value

	Nominal Value	Fair Value
2009-10	£161.3m	£163.4m
2010-11	£156.3m	£161.6m
2011-12	£320.6m	£350.8m
2012-13	£315.6m	£358.0m
2013-14	£308.0m	£329.8m
2014-15	£312.6m	£362.8m

Interest Paid (Including restructuring costs)

	GF	HRA
2009-10	£6.97m	-
2010-11	£5.68m	-
2011-12	£5.68m	£0.04m*
2012-13	£5.44m	£3.98m
2013-14	£5.25m	£3.97m
2014-15	£5.20m	£4.01m

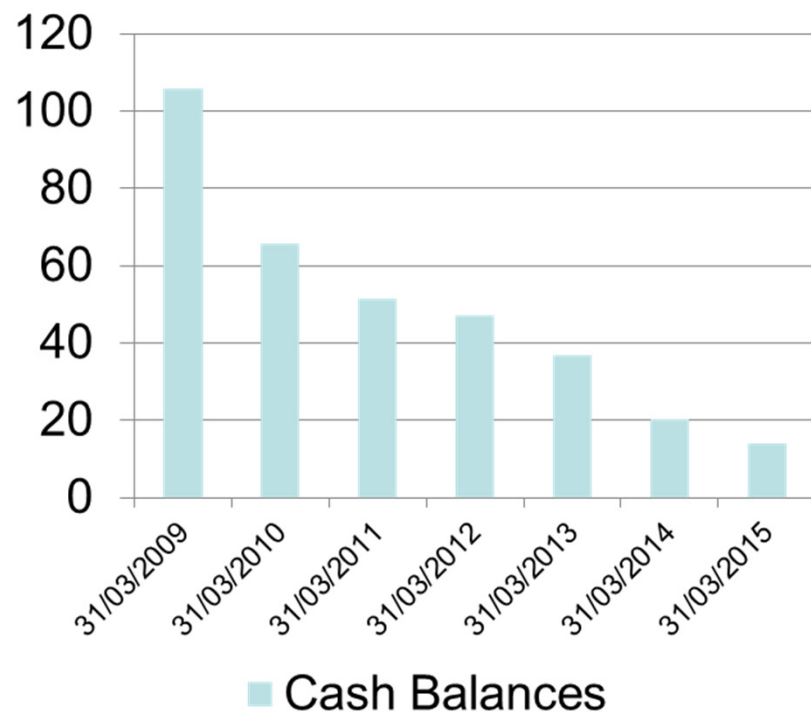
* HRA debt taken out on 28th March 2012 interest payable for 4 days

Investment balances since 2009

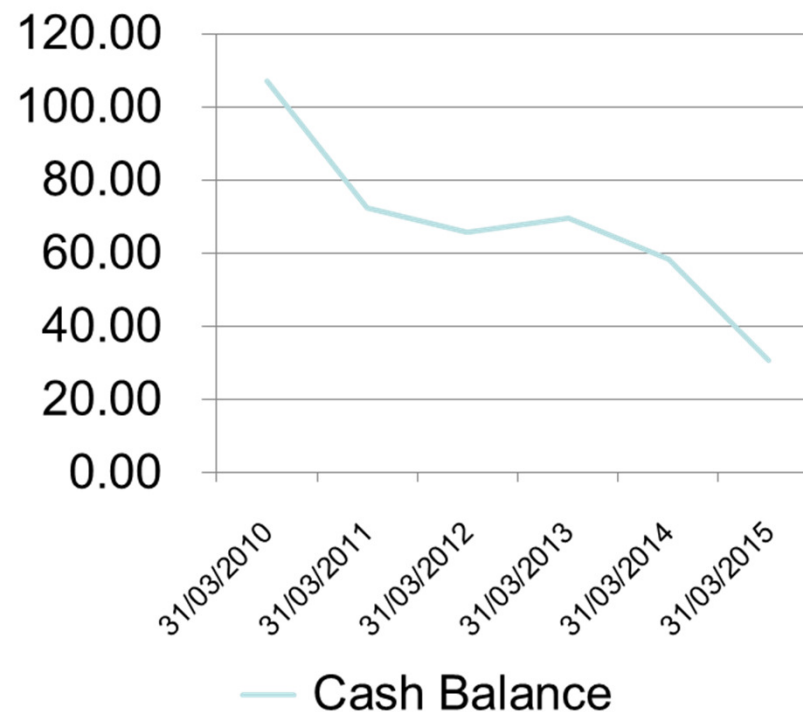
(Excluding Lime Fund)

Includes schools balances from 20th November 2014

Cash Balances



Average Cash balance



Investment Return since 2009

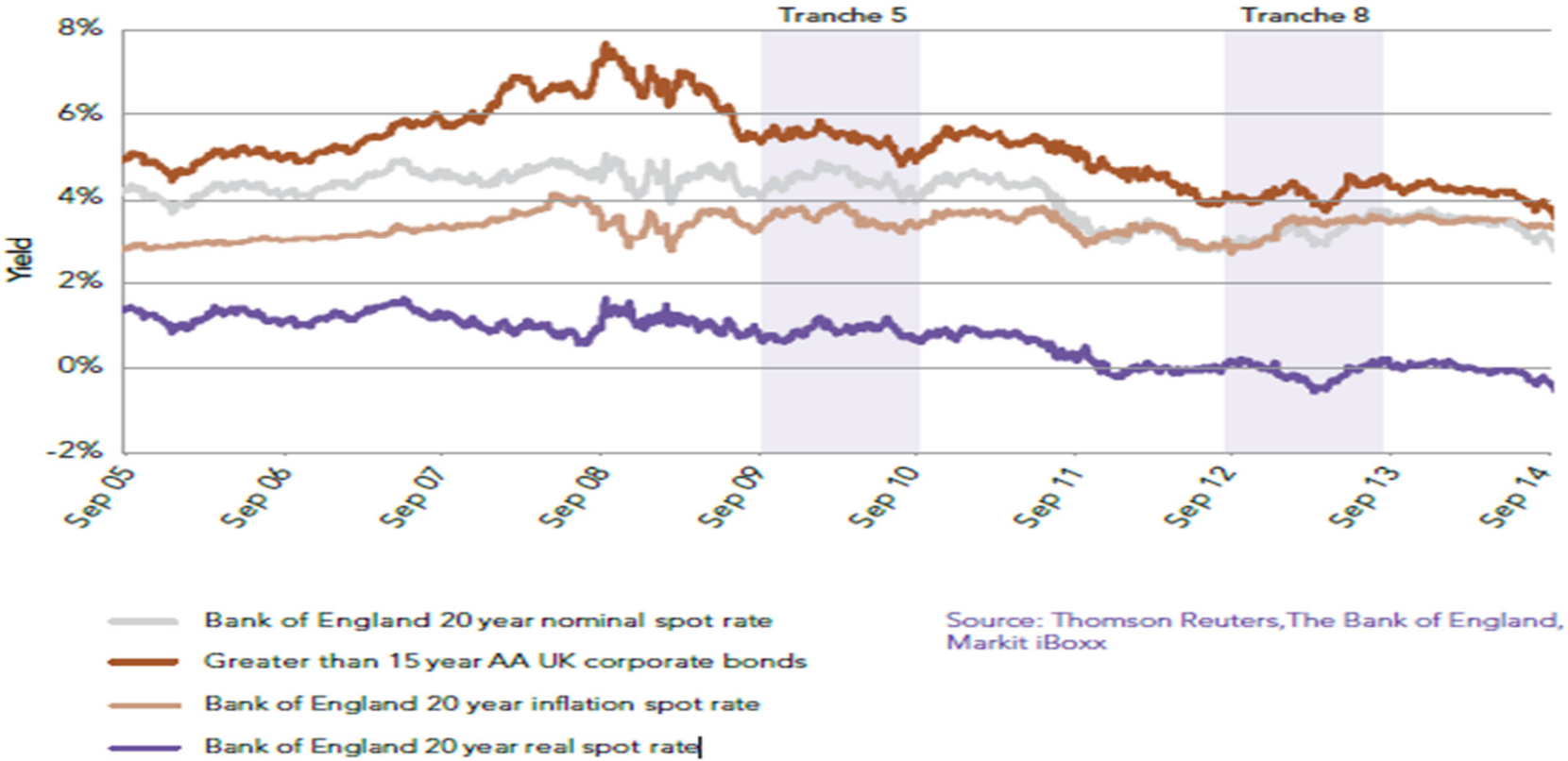
	Average investment	Interest earned	Interest Rate
2009-10	£107.2m	£1,755.4k	1.64%
2010-11	£72.5m	£1,035.3k	1.43%
2011-12	£65.9m	£894.3k	1.36%
2012-13	£69.8m	£672.9k	0.96%
2013-14	£58.3m	£431.6k	0.74%
2014-15	£30.8m	£160.8k	0.52%

Pension Scheme Deficits

- Council's largest liability at £379m measured in line with IAS 19
- Schemes have many challenges not least improving life expectancy
- Overwhelming influence is level of yields (interest rates) on corporate and government bonds - sets discount rate for liabilities (pension promises)

Bond indices and market implied inflation

Figure 1: Bond indices and market implied inflation



Source : Pension Regulator report

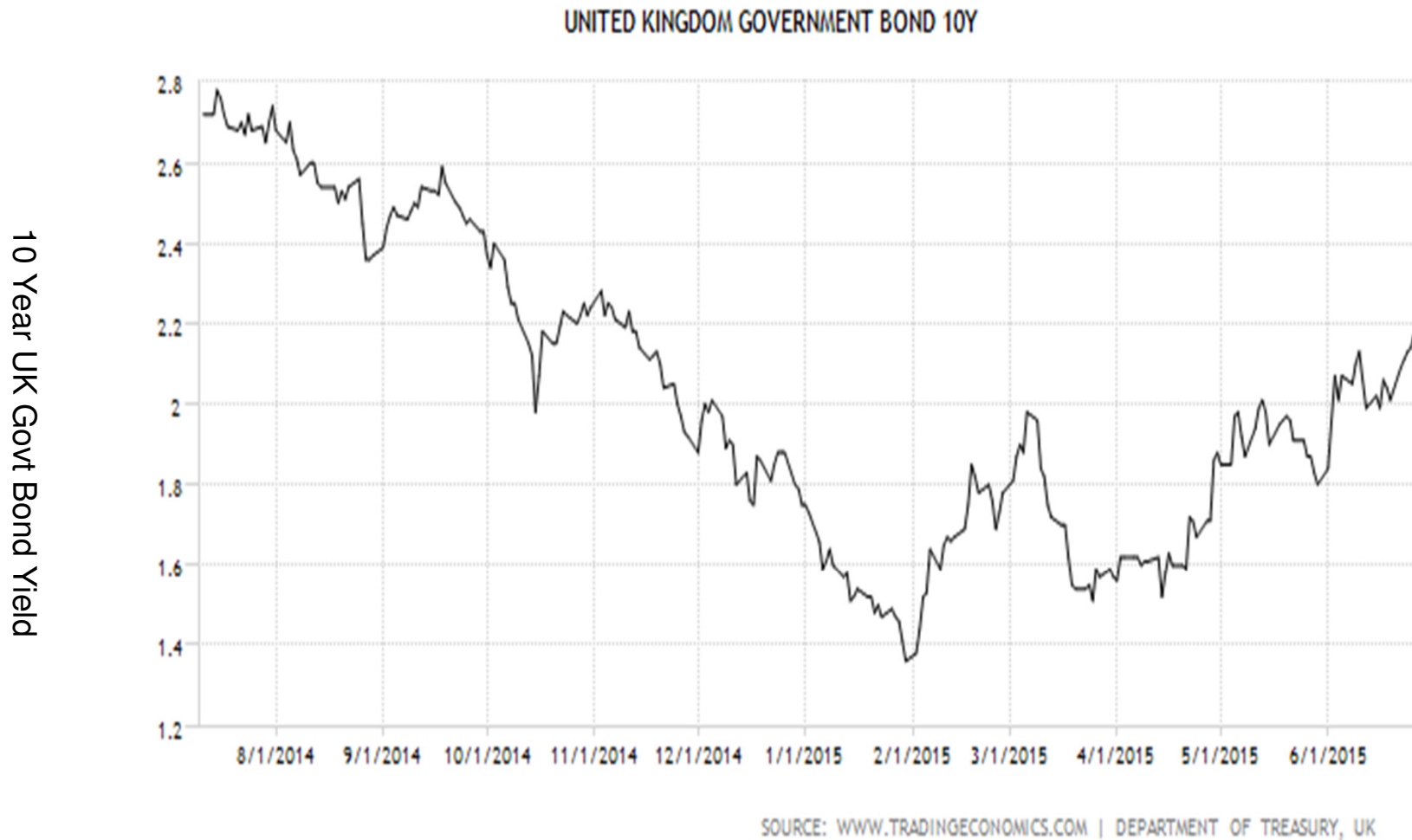
Pensions

- Assets and Liabilities follows IAS 19

	2013/14	2014/15	Increases
Liabilities	(£684m)	(£802m)	£118m (17%)
Assets	£377m	£423m	£46m (12 %)
Net Deficit	(£307m)	(£379m)	£72m (24%)
Assets as % Liabilities IAS 19	55.1%	52.7%	

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

Bond Yield Volatility and measurement dates



Supplementary Statements

- HRA Account – pages 110 - 115
- Collection Fund – pages 116 - 118

Housing Revenue Account

- Benefiting from low interest rates
- Reserving for and funding independent living schemes and strategic priorities
- Accounting follows Communities and Local Government – Accounting Directions and related restrictions

Collection Fund

- Improving surplus position on Council Tax from £0.5m (13/14) to £3.5m surplus (CBC share £3m)
- Business rate position improving but deficit reflects impact of providing for possible successful rating appeals. Deficit of £6.3m (13/14) reduced to £6.1m (CBC share £2.9m)

Other Items: Remuneration Note 32

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

	2013/14	2014/15
Temporary Staff	77	85
Permanent	155	181

- The figures exclude members of the Corporate Management Team, who are disclosed individually.
- Teaching and non-teaching staff received pay awards in 2014/15. The increase in permanent numbers paid over £50k was broadly evenly split between schools and other staff
- The contracts of 70 staff (61 in 13/14) were terminated in year with £779k (£816k in 13/14) paid as redundancy costs. Note 41

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 Depreciated Historic Cost of £225m on the balance sheet. The depreciated replacement cost is currently estimated at £1.6 billion.
- The statutory deadline for producing the accounts is currently 30 June 2015. Under proposed changes to the Accounts and Audit Regulations 2011 it is proposed this will be 31 May from 2017/18. We are already reviewing ways to achieve this in 2015/16.

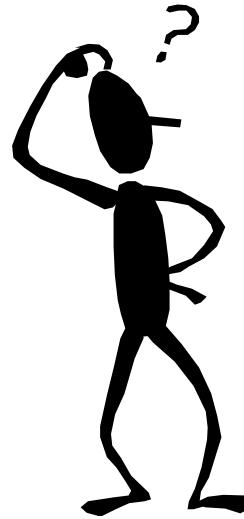
Conclusion and Next Steps

- Accounts show the overall financial health of the organisation.
- 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. Interest rate risk is important and is being monitored closely. Currently interest and MRP contributions are 8% (£16.5m) of the Council's net revenue expenditure.

Conclusion and Next Steps

- The accounts will be audited by Ernst & Young LLP from July – September
- Public Inspection Period 6th July – 31 July
- The final accounts will be approved by Audit Committee in September

Any Questions?



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APPENDIX B

Extracts for Audit Committee 29/6/15

**Core Financial
Statements
2014/15**

Note 32 Remuneration

UNAUDITED

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. This is 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 2014/15		General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	HRA Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Schools Reserve	Usable Reserves Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014		(15,101)	(27,764)	(2,000)	(18,511)	(200)	(2,346)	(25,344)	(11,826)	(103,089)
Movement in Reserves during 2014/15:										
	(Surplus) / deficit on Provision of Services	10,097	0	(27,804)	0	0	0	0	0	(17,707)
	Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0
	Total Comprehensive Income and Expenditure	10,097	0	(27,804)	0	0	0	0	0	(17,707)
	Adjustments between accounting basis and funding basis under regulations (Note 7)	(13,536)	0	27,958	0	0	(1,105)	10,284	0	23,601
	Net (increase) / decrease before transfers to Earmarked Reserves	(3,439)	0	154	0	0	(1,105)	10,284	0	5,894
	Transfers (to) / from Earmarked Reserves (Note 8)	3,237	(3,374)	(154)	154	0	0	0	137	0
	(Increase) / decrease in year	(202)	(3,374)	0	154	0	(1,105)	10,284	137	5,894
	Balance at 31 March 2015	(15,303)	(31,138)	(2,000)	(18,357)	(200)	(3,451)	(15,060)	(11,689)	(97,198)
Unusable Reserves 2014/15		Revaluation Reserve	Available For Sale	Pensions	Capital Adjustment Account	Financial Instrument	Collection Fund Adjustment Account	Short term Accumulated Absence	Unusable Reserves Total	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014		(59,300)	148	307,141	(493,035)	1,717	2,653	2,942	(237,734)	(340,823)
Other Comprehensive I & E		(37,880)	(152)	60,761	0	0	0	0	22,729	5,022
Adjustments between accounting basis and funding basis under regulations (Note 7)		5,151	0	11,738	(37,389)	(116)	(2,515)	(470)	(23,601)	0
(Increase)/Decrease in year		(32,729)	(152)	72,499	(37,389)	(116)	(2,515)	(470)	(872)	5,022
Balance at 31st March 2015		(92,029)	(4)	379,640	(530,424)	1,601	138	2,472	(238,606)	(335,804)

Usable Reserves 2013/14												
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	HRA Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Schools Reserve	Usable Reserves Total			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	(11,404)	0	(22,682)	0	0	0	0	0	(34,087)			
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	0	0			
Total Comprehensive Income and Expenditure	(11,404)	0	(22,682)	0	0	0	0	0	(34,087)			
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,391	0	14,108	0	3,237	(1,689)	(23,864)	0	(2,817)			
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 31 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	Available For Sale	Pensions	Capital Adjustment Account	Deferred Capital Receipts	Financial Instrument	Collection Fund Adjustment Account	Short term Accumulated Absence	Unusable Reserves Total	Total Council Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	(46,494)	276	303,829	(483,292)	0	1,833	1,105	3,435	(219,308)	(285,494)		
Other Comprehensive I&E	(13,605)	(128)	(7,510)	0	0	0	0	0	(21,244)	(55,329)		
Adjustments between accounting basis and funding basis under regulations (Note 7)	799	0	10,822	(9,743)	0	(116)	1,548	(493)	2,817	0		
(Increase)/Decrease in year	(12,806)	(128)	3,312	(9,743)	0	(116)	1,548	(493)	(18,427)	(55,329)		
Balance at 31st March 2014	(59,300)	148	307,141	(493,035)	0	1,717	2,653	2,942	(237,734)	(340,823)		

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.

2013/14				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
8,596	(4,294)	4,302	Central services to the public	4,317	(2,681)	1,637
13,426	(13,649)	(222)	Public Health	14,606	(14,508)	98
8,848	(579)	8,269	Cultural and related services	12,753	(1,269)	11,485
24,875	(2,382)	22,492	Environmental and regulatory services	25,749	(3,067)	22,683
17,655	(3,676)	13,979	Planning services	20,314	(5,015)	15,299
199,627	(140,311)	59,316	Children's and education services	211,560	(142,497)	69,062
26,074	(3,291)	22,783	Highways and transport services	28,989	(4,723)	24,266
1,738	(31,686)	(29,948)	Local authority housing (HRA)	(3,430)	(28,436)	(31,866)
69,006	(65,146)	3,861	Other housing services	70,231	(66,180)	4,051
97,402	(23,689)	73,713	Adult social care	99,764	(25,431)	74,334
4,000	(5,201)	(1,200)	Corporate and democratic core	3,626	(6,078)	(2,452)
1,784	(22)	1,762	Non-distributed costs	2,400	(36)	2,365
473,033	(293,926)	179,107	Cost of Services	490,879	(299,921)	190,962
					Note	
		33,719	Other operating expenditure		9	10,852
		20,242	Financing and investment income and expenditure		10	19,498
		(267,155)	Taxation and non-specific grant income and expenditure		11	(239,017)
		(34,087)	(Surplus) / deficit on Provision of Services			(17,705)
		(14,038)	Revaluation (gains) / losses on non-current assets		24a	(41,765)
		433	Revaluation losses (chargeable to Revaluation Reserve) on non-current assets		24a	3,885
		(128)	(Surplus) / deficit on revaluation of available for sale assets		24b	(152)
		1,279	Return on plan assets – pensions		43	(30,821)
		(8,789)	Actuarial (gains) / losses on pension fund assets and liabilities		43	91,582
		(21,243)	Other comprehensive income and expenditure - (surplus) / deficit			22,729
		(55,330)	Total Comprehensive Income and Expenditure Statement - (Surplus) / Deficit			5,024

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 is not able 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 2014		Note	31 March 2015	
£'000			£'000	£'000
876,480	Property, plant & equipment (PPE)	12	974,623	
81,675	Investment property	14	85,150	
6,758	Intangible assets	15	8,821	
4,852	Long-term investments	16	5,004	
574	Long-term debtors	16	564	
970,340	Long-term assets			1,074,162
14,124	Short-term investments	16	568	
606	Current assets held for sale	20	173	
46,944	Short-term debtors	18	47,697	
19,083	Cash and cash equivalents	19	1,799	
80,757	Current assets			50,237
(17,552)	Short-term borrowing	16	(31,603)	
(44,709)	Short-term creditors	21	(43,054)	
(6,346)	Provisions	22	(7,283)	
(2,942)	Provisions - accumulated absences	24g	(2,472)	
(71,549)	Current liabilities			(84,412)
(16,820)	Private Finance Initiative (PFI)	39	(16,268)	
(289,961)	Long-term borrowing	16	(280,632)	
(307,141)	Net liability related to defined benefit pension schemes	43	(379,640)	
(24,801)	Capital grants (receipts in advance)	35	(27,643)	
(638,722)	Long-term liabilities			(704,183)
340,823	Net assets			335,804
(103,089)	Usable reserves	23	(97,198)	
(237,734)	Unusable reserves	24	(238,606)	
(340,823)	Total reserves			(335,804)

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. 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.

2013/14 £'000		Note	2014/15 £'000
34,087	Net surplus / (deficit) on the Provision of Services	25	17,705
45,306	Adjustments to net surplus / (deficit) on the provision of services for non-cash movements	25	27,542
(64,899)	Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	25	(33,438)
14,494	Net cash inflows from operating activities	25	11,809
(11,162)	Investing activities	26	(38,423)
(7,558)	Financing activities	27	9,329
(4,224)	Net increase / (decrease) in cash and cash equivalents		(17,285)
23,307	Cash and Cash Equivalents at 1 April		19,083
19,083	Cash and Cash Equivalents at 31 March	19	1,799

UNCLASSIFIED

32. Officers' Remuneration

Senior Officers are defined by the Council as any officer at Director level or above, plus the Chief Finance Officer (Section 151) and Monitoring Officer. During 2014/15, this classification included the:

- Chief Executive
- Six Directors
- Chief Finance Officer (Section 151)
- Chief Legal & Democratic Services Officer (Monitoring Officer)

The remuneration paid to the Council'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) 2014/15 2013/14	181,300 181,300	801 1,300	182,101 182,600	44,237 43,331	226,338 225,931
Sue Harrison (Director of Children's Services) 2014/15 *	76,125	441	76,566	18,574	95,140
Edwina Grant (Deputy Chief Executive & Director of Children's Services) 2014/15 * 2013/14	50,507 153,988	301 1,241	50,808 155,229	12,091 36,713	62,899 191,942
Julie Ogley (Director of Social Care, Health & Housing) 2014/15 2013/14	142,781 140,562	1,160 827	143,941 141,389	34,838 33,594	178,780 174,983
Charles Warboys (Chief Finance Officer - S151) 2014/15 2013/14	101,655 89,973	572 833	102,227 90,806	24,804 21,503	127,031 112,309
John Atkinson (Monitoring Officer) 2014/15 2013/14	0 83,952	0 544	0 84,496	0 10,596	0 95,092
Alan Fleming (BEAR & Programme Director) 2014/15 2013/14	0 130,744	0 1,450	0 132,194	0 18,279	0 150,473
Marcel Coiffait (Director of Community Services) 2014/15 2013/14	108,839 96,833	569 394	109,408 97,227	26,657 23,143	136,065 120,370
Deb Broadbent-Clarke (Director of Improvement & Corporate Services) 2014/15 2013/14 *	135,000 101,250	488 299	135,488 101,549	0 0	135,488 101,549

Melanie Clay (Chief Legal & Democratic Services Officer) 2014/15 2013/14 *	84,800 39,058	0 0	84,800 39,058	20,605 9,335	105,405 48,393
Jason Longhurst (Director of Regeneration & Business Support) 2014/15 2013/14 *	110,000 9,821	1,807 0	111,807 9,821	26,840 2,348	138,647 12,169
Muriel Scott (Director of Public Health) 2014/15 2013/14	98,214 98,214	2,899 2,673	101,113 100,887	23,964 12,604	125,077 113,491
Totals: 2014/15 2013/14	1,089,221 1,125,695	9,038 9,651	1,098,259 1,135,526	232,611 211,446	1,330,870 1,346,702

* Part-year costs only

John Atkinson - Monitoring Officer – left 1/12/13.

Alan Fleming - BEAR & Programme Director - left 1/1/14.

Edwina Grant left 27/7/14 but was paid as Interim Director of Children's Services by Carlisle Management Services from 11/8/14 - 21/9/14 at a cost of £21,527.

Sue Harrison - Director of Children's Services – joined 22/9/14.

Muriel Scott - Director of Public Health is funded by Central Bedfordshire Council, Bedford Borough Council and Milton Keynes Council. CBC's element is a total remuneration of £46,787.

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

The following table shows 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). The numbers for temporary employees and interim managers are based on the total cost paid to specialist staffing agencies which will be higher than the remuneration received by the individual staff.

Remuneration band	2013/14	2014/15	2013/14	2014/15
	Number of permanent employees	Number of permanent employees	Number of temporary employees and interim managers	Number of temporary employees and interim managers
£50,000-£54,999	61	56	15	15
£55,000-£59,999	24	47	13	10
£60,000-£64,999	37	37	17	15
£65,000-£69,999	8	15	5	18
£70,000-£74,999	8	6	6	6
£75,000-£79,999	6	2	6	5
£80,000-£84,999	4	4	3	5
£85,000-£89,999	4	8	0	3
£90,000-£94,999	0	3	4	1
£95,000-£99,999	1	1	5	1
£100,000-£104,999	0	1	1	1
£105,000-£109,999	1	1	1	1
£110,000-£114,999	0	0	0	0
£115,000-£119,999	0	0	0	0
£120,000-£124,999	0	0	0	1
£125,000-£129,999	0	0	0	1
£130,000-£134,999	0	0	0	0
£135,000-£139,999	0	0	0	0
£140,000-£144,999	0	0	0	0
£145,000-£149,999	0	0	1	1
£150,000-£154,999	1	0	0	0
£160,000-£164,999	0	0	0	0
£165,000-£169,999	0	0	0	1
Total	155	181	77	85

* The numbers of permanent employees receiving more than £50k remuneration in 2013/14 were understated in the published Statement of Accounts 2013/14. The corrected figures for 2013/14 are shown above.

Exit Packages

The total cost of £779k in the tables below includes all exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income & Expenditure Statement for the current year. The Council'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, e.g., redundancy, pay in lieu of notice, severance and actuarial strain.

Exit package cost bands (including special payments)	Total number of compulsory redundancies by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14 £'000	2014/15 £'000
£0 - £20K	50	59	294	403
£20 - £40K	6	7	177	184
£40 - £60K	4	4	189	192
£60 - £80K	0	0	0	0
£80 - £100K	0	0	0	0
£100 - £150K	0	0	0	0
£150 - £200k	1	0	156	0
Total	61	70	816	779

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