

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 14, Priory House, Chicksands, Shefford on Monday, 27 June 2016

PRESENT

Cllr M C Blair (Chairman)
Cllr D J Lawrence (Vice-Chairman)

Cllrs P Downing
F Firth
R Morris

Cllrs D Shelvey
A Zerny

Members in Attendance: Cllrs Mrs S A Goodchild
Mrs J G Lawrence
R D Wenham

Officers in Attendance: Mr Q Baker Monitoring Officer
Ms M Damigos Senior Corporate Lawyer
Mr R Gould Head of Financial Control
Mr L Manning Committee Services Officer
Ms K Riches Head of Internal Audit & Risk
Mr C Warboys Chief Finance Officer

Others In Attendance: Mr N Harris Executive Director – Ernst & Young
LLP

AUD/16/1. **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 4 April 2016 be confirmed and signed by the Chairman as a correct record.

AUD/16/2. **Members' Interests**

None.

AUD/16/3. **Chairman's Announcements and Communications**

The Chairman reminded the Committee that the meeting provided the annual opportunity for the Finance team to show Members what financial developments had taken place over the previous year. He referred Members to the supplementary financial information which had been made available at the meeting.

(Note: Minute AUD/16/6 below refers).

AUD/16/4. **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/16/5. **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/16/6. **Central Bedfordshire Council Unaudited Statement of Accounts 2015/16**

Members received a presentation on the unaudited Statement of Accounts for 2015/16. The presentation was introduced by the Chief Finance Officer and Head of Financial Control who circulated paper copies of the following:

- 'Unaudited Statement of Accounts 2015/16 – Presentation to Members 27/6/2016' (slide pack)
- 'Unaudited Statement of Accounts 2015/16 - Presentation to Members 27/6/2016 – Core Statements and Note 32' (extracts from the unaudited Statement of Accounts).

Copies of the above documents are attached to these minutes at Appendices A and B respectively.

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/Images/unaudited-accounts-2015-2016_tcm3-17309.pdf

The Chief Finance Officer reminded the meeting that it was not necessary to approve the Statement of Accounts at this point. Instead the Council's external auditors, Ernst & Young LLP would carry out the audit over the summer. The fully audited Statement of Accounts would then be submitted to the meeting of the Audit Committee on 26 September 2016 for approval.

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

In conclusion the Chairman thanked the Chief Finance Officer and Head of Financial Control for their presentation and commented warmly on the quality of their financial management.

NOTED

the presentation on the unaudited Statement of Accounts for 2015/16.

AUD/16/7. Annual Audit and Certification Fees 2016/17

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 2016/17 financial year and the related fees.

Following an introduction by the Ernst & Young Executive Director a small number of queries were raised by Members.

NOTED

the 2016/17 annual audit and certification fees letter to the Chief Executive from Ernst & Young LLP.

AUD/16/8. External Audit Progress Report

Members considered a report from Ernst & Young LLP which provided an overview of the progress made by the company in carrying out the Council's 2015/16 audit. For Members' benefit the Ernst & Young Executive Director introduced the report.

RECEIVED

the report on the progress of external audit work on the 2015/16 audit.

AUD/16/9. Central Bedfordshire Council - Public Interest Disclosure regarding the Partnership the Council has entered into for Legal Services

(Note: Before considering the following item, and in view of its subject matter, the Committee was asked whether it wished to allow the Monitoring Officer to remain in the meeting. No objections were raised by Members to the Monitoring Officer's presence for this item so he remained in the meeting).

The Committee received a letter from an Executive Director of the Council's external auditors, Ernst and Young LLP, to the Chief Executive of the Council. Members noted that, following a meeting on 19 April 2016 between the Chief Executive and the Executive Director, the letter had been written by the latter to confirm his position regarding his review of the Council's arrangements for the procurement of legal services. Members were aware that the review had arisen following a Public Interest Disclosure from a whistleblower concerning the approach taken by the Council on the procurement.

After introducing his letter the Ernst & Young Executive Director concluded that, whilst there had been no unlawful act by the Council in its procurement of legal services, there had been weaknesses in some aspects of the Council's written documentation and evidence to support the decision making process. He had therefore recommended that the Council should ensure that, in any future procurements of a similar nature, sufficient and appropriate evidence was available to support each stage of the decision making process and the Council's assertions. The Executive Director had also recommended that the Council should revisit its Constitution and ensure that it reflected how the Council should respond when either considering options and/or intended to make a decision that involved entering into a shared service arrangement. He then stated that, unless new information was received during the course of the External Audit and before the conclusion of the public inspection period for the Council's 2015-2016 accounts, he considered the matter to be closed and no further action would be taken.

The Executive Director explained that, as his work on the Disclosure had fallen outside the scope of Ernst & Young's budgeted audit work, there would be an additional fee of approximately £8,500. In response to this the Chief Finance Officer welcomed the fact that the fee figure was lower than the initial estimate. He also emphasised that the review had been carried out in a full and proper manner and he completely accepted its findings.

The Chairman stated that he had been kept informed throughout the review process and his opinion sought at various points. He stressed that the issues highlighted by the Executive Director should be thoroughly dealt with and, where recommended, formally enshrined in the Constitution. The meeting was advised by the Chairman of the General Purposes Committee, who was in attendance, that that Committee would be considering a report on this matter at its next meeting on 30 July 2016. The Monitoring Officer, who had written the report referred to by the Chairman of the General Purposes Committee, explained that detail had been taken from the Executive Director's letter and included in his report and that the issues raised had been addressed.

Members then raised a number of additional queries. In particular a Member sought clarification on what specific concerns had been raised with regard to the Council's procurement process. In response the Executive Director stated that the concerns had related to a conflict of interests, compliance with regulations and procurement law, and value for money. The Member stated that a particular concern expressed by another bidding organisation was that a person who represented a bidder also worked for the Council. In response the Executive Director explained that the Council had taken steps to remove the individual from the decision making process. The Executive Director stated that he was satisfied that this action had helped though it had not been documented by the Council to the extent required.

NOTED

the letter to the Chief Executive from Ernst & Young LLP regarding the company's findings and conclusions following its review into the Council's arrangements for the procurement of legal services.

AUD/16/10 Annual Governance Statement 2015/16

Members considered a report by the Monitoring Officer which sought Members' approval of the draft 2015/16 Annual Governance Statement. The Senior Corporate Lawyer introduced the report and circulated a revised copy of the draft Annual Governance Statement. She stated that the original draft Statement attached at Appendix A to the report had referred to the Council's medium term four year plan for the period 2012-2016 (Part 2.2 of the original draft Strategy refers). However, the four plan had now been succeeded by a new medium term five year plan for the period 2015-2020 and this was reflected in the revised draft Statement by tracked changes to the text in Part 2.2. A copy of the revised Statement is attached at Appendix C to these minutes.

The Senior Corporate Lawyer highlighted Part 2.5 of the revised draft Statement which dealt with Codes of Conduct and standards of behaviour by both officers and Members. She referred in particular to the use of Independent Persons to advise as and when complaints were received relating to the Members' Code of Conduct and the proposed extension of their term of appointment for a further four years from September 2016. The Senior Corporate Lawyer explained that the proposed extension would need to be submitted to full Council for approval. In response to a query by the Chairman on how Members could know if it was appropriate to extend the term of appointment the Senior Corporate Lawyer explained that an appointment process would be followed and the extension would be a joint decision by the partnership of local authorities (including Central Bedfordshire) which had originally appointed the panel of Independent Persons.

In response to a query from the Vice-Chairman on data protection risk and the sharing of information within the local authority partnership the Monitoring Officer assured Members that he was fully aware of the requirements regarding shared information, how it should be dealt with and the adoption of new regulations. He stressed that the government was keen for local authorities to share information as a means of enabling a more ready approach to co-operation.

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

RESOLVED

that the revised draft Annual Governance Statement for 2015/16 be approved for submission to the Leader and Chief Executive to be formally signed off subject to first incorporating the tracked changes within Part 2.2 of the document.

AUD/16/11 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, drawing Members' attention in particular to that section dealing with the latest developments regarding the creation of pooled investment arrangements for LGPS assets. He stated that Bedford Borough Council Pension Committee (as the administering authority for the Bedfordshire Pension Fund) had met on 3 February 2016 and resolved to participate in the submission for the 'Border to Coast' proposed pool; the pool representing some thirteen Pension Funds. The Head of Financial Control added that a further meeting of the Pension Committee would take place shortly regarding the pool's business plan.

NOTED

the Local Government Pension Scheme update.

AUD/16/12 Appointment of the Council's External Auditors following the Expiry of the Current Contract

The Committee considered a report which summarised the changes to the arrangements for appointing external auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits. The options available for arranging the first appointment of an external auditor by 31 December 2017 were set out and the Committee's preferred approach was sought.

Members noted that Schedule 3, paragraph 1 of the Local Audit and Accountability Act 2014 stated that full Council was required to appoint the new external auditor. At this point, therefore, the Committee was being asked to recommend to full Council a preferred approach for adoption. However, the preferred approach was subject to any final decision being made by full Council at a future meeting.

The Committee was advised that when the current transitional arrangements came to an end on 31 March 2018 the Council would be able to move to the local appointment of its external auditor. The three broad options open to the Council under the Local Audit and Accountability Act 2014 were as follows:

- To make a standalone appointment
- Set up a Joint Auditor Panel/local joint procurement arrangements
- Opt-in to a sector led body (SLB)

The advantages/benefits and disadvantages/risks of each option were set out for Members' consideration.

In addition the Committee noted that the current fees charged by external auditors were based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale. The meeting was advised that the LGA believed the fees would rise after the current contracts ended.

Members noted that the scope of the audit would still be specified nationally, the National Audit Office (NAO) being responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms would be eligible to compete for the work; they would need to demonstrate that they had the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process had not yet commenced and so the number of firms was not known but it was expected that the list of eligible firms may include the top 10 or 12 firms in the country, including the Council's current auditor. It was unlikely that small local independent firms would meet the eligibility criteria.

The Committee noted that the LGA was working on developing a sector led body (SLB). In a recent survey, 58% of respondents had expressed an interest in this option. The greatest economies of scale would come from the maximum number of councils acting collectively and opting-in to a SLB.

It was the recommendation of the officers that the SLB option should be adopted and this was the option which Members unanimously supported. In order to strengthen the LGA's negotiating position and enable it to more accurately evaluate the offering it was agreed that the Council be asked to approve the Committee's approved approach of opting in to a SLB subject to a formal decision on whether or not to definitely opt-in at a later stage.

RECOMMENDED TO COUNCIL

- 1 that the Audit Committee's preferred approach of opting in to a procurement of external audit services through a Sector Led Body be approved;**
- 2 that Council note that officers will notify the Local Government Association of the decision taken;**
- 3 that Council note that any recommendation on the final approach to be taken on this matter will be submitted to it for approval at a later date.**

AUD/16/132015/16 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/16/10 above refers).

Following an introduction by the Head of Internal Audit and Risk, Members raised issues for discussion.

In response to a Member's query regarding the size of the Internal Audit team the Head of Internal Audit and Risk stated that, whilst a larger team would be ideal, it was possible to achieve the necessary results by focusing the efforts of the existing team members. The Chief Finance Officer explained that the role of Head of Internal Audit and Risk was semi independent of him and that if she felt unable to deliver an adequate service she would advise the Committee.

The Vice-Chairman suggested the adoption and use of the term 'adequate plus', rather than 'adequate', to better reflect the standard achieved with regard to the Council's Internal Control environment and/or the use of an arrow to indicate the direction of travel. However, the Head of Internal Audit and Risk explained that, whilst the terminology used was not set out by Regulation, it was fairly standard across local authorities.

Last, the Chairman of General Purposes Committee, who was in attendance at the meeting, sought clarification of the process by which information on flood risk was passed on following consideration by Overview and Scrutiny. She referred to Section 106 Agreements having expired resulting in the Council being left with the responsibility of funding any works. In response the Head of Internal Management and Risk stated that she would pass these comments to the Emergency Planning team for consideration.

NOTED

that the 2015/16 Internal Audit Annual Audit Opinion is that the Council's Internal Control environment continues, overall, to be adequate.

AUD/16/14 Risk Update Report

The Committee considered a report which provided an overview of the Council's risk position as at June 2016.

The Head of Internal Audit and Risk introduced the report, which included a Risk Register Dashboard attached at Appendix A to the report. The Committee's attention was drawn to Strategic Risk STR0019 which had been regarded with some concern at the last meeting (minute AUD/15/51 refers). However, the Committee noted that a review of this risk had since been carried out and Members advised that the risk was actually linked to the large scale changes in service provision by the NHS. Whilst the likelihood remained 'likely' until there was a sustained improvement across the health sector a number of mitigating measures were being taken by the Council.

In response to a Member's query as to whether the dashboard was shared with other committees the Chief Finance Officer acknowledged its usefulness to

other bodies and the Head of Internal Audit and Risk undertook to investigate the possibility further.

NOTED

the strategic and operational risks facing Central Bedfordshire Council as set out in the Risk Register Dashboard attached at Appendix A to the report of the Chief Finance Officer.

AUD/16/15.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.

The Vice-Chairman referred to the delay in developing and approving the Information Technology Disaster Recovery Plan. He expressed concern at the use of the government managed cloud which he viewed as a failure to take responsibility for the safe and effective storage of the Council's data. The Head of Internal Audit and Risk undertook to ask the Chief Information Officer to respond at the next meeting of the Committee. Discussion followed during which the Committee indicated that it required a written update on the progress made with the Disaster Recovery Plan by the end of July.

NOTED

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

RESOLVED

that the Chief Information Officer be requested to circulate a written update to all members of the Committee by the end of July on the progress made with the Information Technology Disaster Recovery Plan.

AUD/16/16.Work Programme

Members considered a report which set out the Committee's work programme for the last part of the 2015/16 municipal year and the proposed work programme for the whole of the 2016/17 municipal year.

RESOLVED

that the proposed Audit Committee work programme for the 2016/17 municipal year, as attached at Appendix A of the report of the Committee Services Manager and Committee Services Officer, be approved.

(Note: The meeting commenced at 2.00 p.m. and concluded at 4.58 p.m..)

Chairman

Dated



Unaudited Statement of Accounts 2015/16

Presentation to Members 27/6/2016

Charles Warboys, Chief Finance Officer

Ralph Gould, Head of Financial Control

Agenda

- Background and overview – Charles Warboys
- Commentary on the statements – Charles Warboys and Ralph Gould
- Conclusions and Next steps – Charles Warboys
- Any Questions

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 – total cost basis - which can be compared with other organisations
- Contain statutory disclosures, including those relating to Members' interests, allowances and officer remuneration

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 - £19.6m reported to the Council as Expenditure by services (14/15 £17.8m) - Note 43
- **Replaced with** – Current Service Cost – employment benefits charged in the Net Cost of Services – as calculated under International Accounting Standard 19 (IAS 19) £22.6m (14/15 £16.3m) £6.3m (36.8%) increase - explained later in the presentation.
- If not removed through the Movement in Reserves Statement a negative impact on the General Fund (i.e. Council Tax) of £3m

Other Examples

- Note 7 ‘Adjustments between Accounting Basis and Statutory Basis under Regulations’
- Note 28 ‘Amounts Reported for Resource Allocation Decisions’ effectively the Council’s management Accounts agreed to the Statement of Accounts
- Note 24 Details movements on 7 ‘Unusable Reserves’ including the Capital Adjustment Account and Collection Fund Adjustment Account

Overview of the document

- The Narrative Statement – replaces Explanatory Foreword - not part of the Statements so not covered by audit opinion – but is examined
- 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

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



Reserves

- General Fund
- Revaluation
- Pensions
- Financial Instruments

Assets and Liabilities

Assets

- Property, Plant & Equipment (PPE)
- Investment Properties
- Cash

Liabilities

- Borrowing
- Pensions
- Grants (and contributions) receipt in advance

Implications of Interest Rates at unusual levels

- The Council's capital financing requirement (need to borrow) has increased in the financial year (£28.9m), and the capital medium term financial plan projects an increase in future years
- With an ongoing capital programme the Council will need to continue 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 and IAS19 revenue costs.

UK Base rate 1971 to 2016



Change in Gilt Yields

15 June 2016 last updated

Latest Gilt Yields Chart

15-year gilt yields - last 10 years

Based on figures for June 2016



Source

<https://www.sharingpensions.co.uk/gilt-yields-chart-latest.htm>

Usable Reserves

	31/03/2015	31/03/2016	(Increase)/ Reduction	SoA
	£'000	£'000	£'000	Note
General Reserve	(15,167)	(15,516)	(349)	23(a)
Earmarked Reserve	(31,561)	(31,478)	83	Note 8
HRA Balance	(2,000)	(2,000)	0	HRA Pg 110
HRA Earmarked	(18,357)	(17,253)	1,104	Note 8
HRA Major Repairs Reserve	(200)	(200)	0	HRA Pg 111
Capital Receipts Reserve	(3,451)	(2,996)	455	23 (f)
Capital Grants Unapplied Reserve	(13,580)	(3,260)	10,320	23(g)
Schools Reserve	(11,689)	(12,916)	(1,227)	23(h)
Total Usable Reserves	(96,005)	(85,619)	10,386	

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

Unusable Reserves

	31/03/2015	31/03/2016	(Increase)/ Reduction*	SoA
	£'000	£'000	£'000	Note 24
Revaluation Reserve	(91,966)	(180,575)	(88,609)	(a)
Available for Sale Reserve	(4)	(150)	(146)	(b)
Pension Reserve (*Debit Reserve)	379,640	320,562	(59,078)	(e)
Capital Adjustment Account	(534,882)	(550,790)	(15,908)	(c)
Financial Instruments (*Debit Reserve)	1,601	(48)	(1,649)	(d)
Deferred Capital Receipts	0	0	0	
Collection Fund Adjustment Account	(956)	(2,780)	(1,824)	(f)
Short Term Accumulated Absences (*Debit Reserve)	2,472	2,008	(464)	(g)
Total Unusable Reserves	(244,095)	(411,773)	(167,678)	
Total Usable Reserves	(96,005)	(85,619)	10,386	
Total Reserves	(340,099)	(497,393)	(157,292)	

Comprehensive Income and Expenditure

2014/15			2015/16			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
489,403	(300,227)	189,177	Cost of Services	511,405	(311,589)	199,816
					Note	
		10,852	Other operating expenditure		9	14,460
		19,476	Financing and investment income and expenditure		10	22,639
		(241,512)	Taxation and non-specific grant income and expenditure		11	(241,265)
		(22,004)	(Surplus) / deficit on the Provision of Services			(4,350)
			Items that will not be reclassified to the (Surplus) / deficit on the Provision of Services:			
		(41,765)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets		24a	(88,664)
		3,885	Impairment losses on non-current assets charged to the Revaluation Reserve		24a	9,952
		60,761	Remeasurement of the net defined benefit liability / (asset)		43	(74,176)
		(152)	(Surplus) / deficit on revaluation of available for sale financial assets		24b	(146)
		22,730	Other comprehensive income and expenditure			(153,034)
		726	Total Comprehensive Income and Expenditure - (Surplus) / Deficit			(157,384)

Where the money comes from IFRS

Central Bedfordshire Council Comprehensive Income and Expenditure	2015/16	
Income	£000	
Specific Revenue Grants	208,940	37.5%
Council Tax	136,616	24.5%
Fees, Charges and rents	106,643	19.1%
RSG (Government Grant)	30,072	5.4%
Business Rates net of levy and tariff	28,010	5.0%
Other non ring fenced grants	4,024	0.7%
Interest income	357	0.1%
Capital Grants and Contributions	42,543	7.6%
	557,205	100%

ASSETS

	31/03/2015	31/03/2016	Increase/ (Reduction)	SoA
	£'000	£'000	£'000	Note
Property, Plant & Equipment	974,622	1,193,334	218,712	12
Investment Property	85,151	0	(85,151)	14
Intangible Assets	8,821	8,670	(151)	15
Long Term Investments	5,004	5,150	146	16
Long Term Debtors	564	549	(15)	16
Long Term Assets	1,074,162	1,207,703	133,541	
Short Term Investments	568	564	(4)	16
Inventories	0	98	98	
Short Term Debtors	47,997	54,700	6,703	18
Cash and Cash Equivalents	1,799	409	(1,390)	19
Assets Held for Sale	173	173	(0)	20
Current Assets	50,537	55,944	5,407	
Total Assets	1,124,699	1,263,646	138,947	

Long Term Investments - Lime Fund

Short Term Investments - Deposits at 3 months Notice

Liabilities

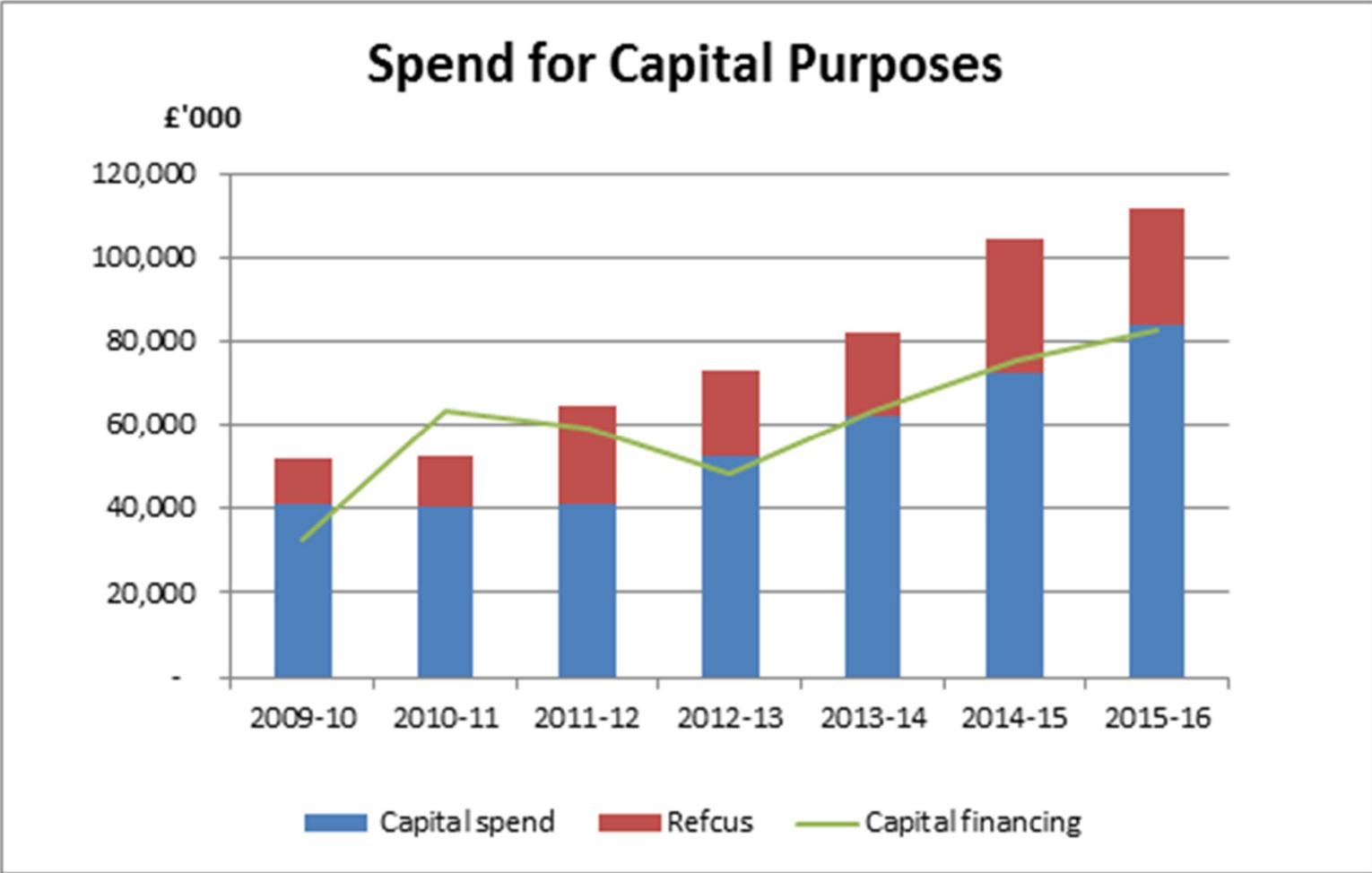
	31/03/2015	31/03/2016	(Increase)/ Reduction	SoA
	£'000	£'000	£'000	Note
Short Term Borrowing	(31,603)	(63,683)	(32,080)	16
Private Finance Initiative - Short Term	0	(481)	(481)	39
Short Term Creditors	(43,978)	(47,590)	(3,612)	21
Provisions	(5,703)	(5,677)	26	22
Provisions - accumulated absences	(2,472)	0	2,472	24g
Current Liabilities	(83,756)	(117,431)	(33,675)	
Long Term Creditors	0	0	0	
Long Term Borrowing	(280,632)	(274,146)	6,486	16
Private Finance Initiative - Long Term	(16,268)	(15,252)	1,016	39
Net Liability Pensions	(379,640)	(320,562)	59,078	43
Capital Grants received in advance	(24,304)	(38,863)	(14,559)	35
Revenue Grants received in advance	0	0	0	
Long Term Liabilities	(700,844)	(648,823)	52,021	
Total Liabilities	(784,600)	(766,254)	18,346	
Total Assets	1,124,699	1,263,646	138,947	
Net Assets	340,099	497,392	157,293	

Ralph Gould

Head of Financial Control

Capital Expenditure and Borrowing Requirement

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2009-2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Capital investment:								
Property, plant and equipment	41,231	38,873	39,360	51,715	61,962	71,173	83,930	388,244
Investment properties	-	-	97	84	101	335	-	617
Intangible assets	-	1,369	1,415	527	228	784	315	4,638
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	10,619	12,103	23,890	21,085	19,773	32,241	27,506	147,217
Debt as a result of HRA Financing	-	-	164,995					
Total Spend	51,850	52,345	229,757	73,411	82,064	104,533	111,751	
<i>memo line Adjusted for HRA Financing</i>	<i>51,850</i>	<i>52,345</i>	<i>64,762</i>	<i>73,411</i>	<i>82,064</i>	<i>104,533</i>	<i>111,751</i>	540,716
Sources of finance:								-
Capital receipts	(1,490)	(29,826)	(3,780)	(3,665)	(2,851)	(1,636)	(5,081)	(48,329)
Government grants and other contributions	(25,514)	(24,722)	(41,808)	(38,481)	(44,564)	(52,415)	(52,863)	(280,367)
Major Repairs Allowance			(3,805)	0	(6,569)	(3,597)	(3,946)	(17,917)
Sums set aside from revenue:								
Direct revenue contributions	(702)	(1,502)	(1,288)	(528)	(2,256)	(10,900)	(12,103)	(29,279)
Minimum Revenue Provision (MRP) / PFI principal	(4,473)	(7,025)	(5,534)	(5,874)	(7,074)	(7,250)	(8,867)	(46,097)
Other Movements	(549)	(227)	(2,778)					(3,554)
Total Financing in year	(32,728)	(63,302)	(58,993)	(48,548)	(63,314)	(75,798)	(82,860)	(425,543)
Closing Capital Financing Requirement	211,419	200,516	370,942	399,434	418,184	446,920	475,811	
Increase/(decrease) in Capital Financing Requirement	19,122	-10,957	170,764	24,863	18,750	28,735	28,891	280,168
								115,173
								Cumulative borrowing need ex HRA 2009/16

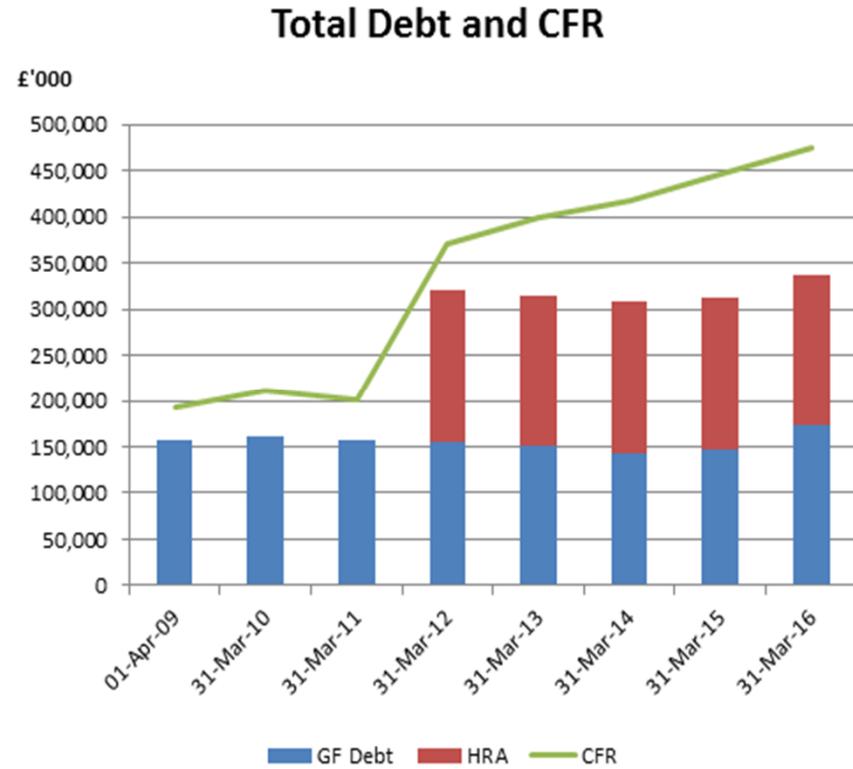
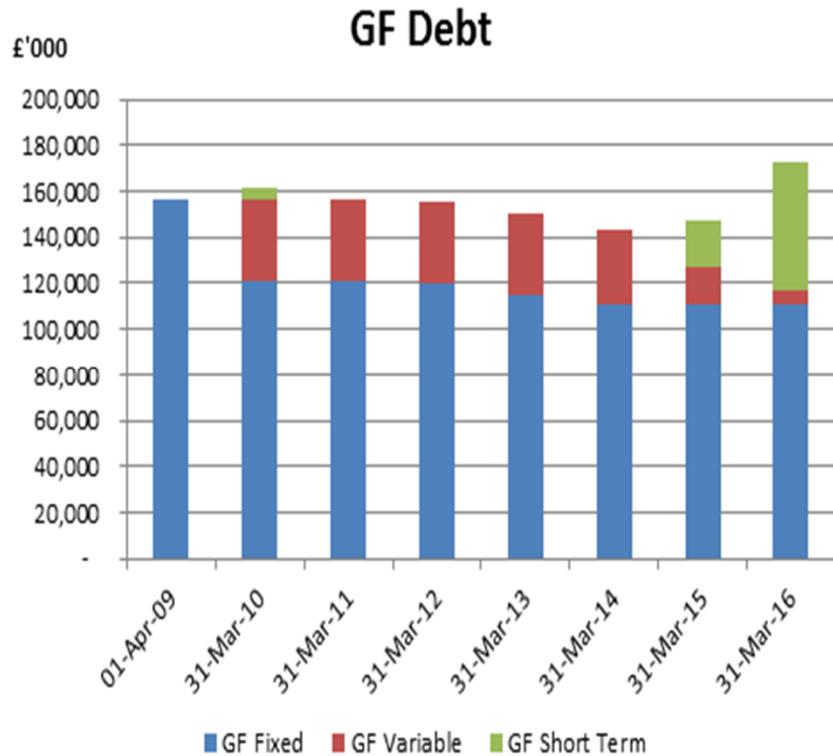


Total Borrowing as at 31st March 2016

	General Fund Debt £'000	Average Interest Rate	HRA Debt £'000	Average Interest Rate	Total Debt £'000	Total Average Interest Rate
Fixed	110,565	4.33%	120,000	3.10%	230,565	3.69%
Variable	6,612	0.69%	44,995	0.62%	51,607	0.63%
Short-term	55,900	0.45%	0	-	55,900	0.45%
Total*	173,077	3.82%	164,995	2.42%	338,072	3.03%

* Total Debt value on SOA includes accrued Interest payable

Debt Since 2009



CBC Debt

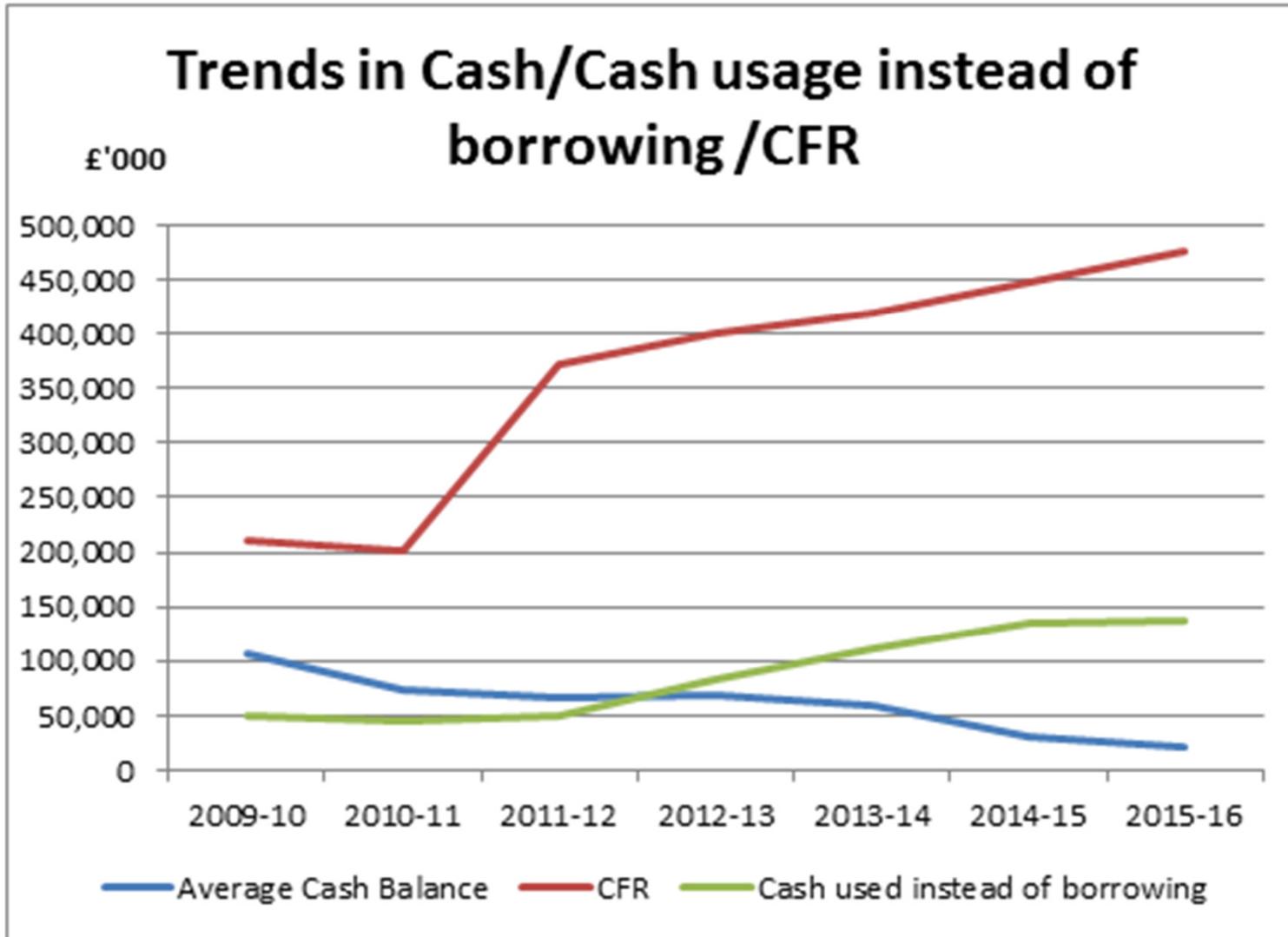
Nominal Value Vs Fair Value

	Nominal Value £'000	Fair Value £'000
2009-10	161,259	163,400
2010-11	156,237	161,600
2011-12	320,586	350,800
2012-13	315,548	357,990
2013-14	307,992	329,775
2014-15	312,618	383,832
2015-16	338,072	380,602

Interest costs

	GF £'000	HRA £'000
2009-10	6,971	-
2010-11	5,680	-
2011-12*	5,688	44
2012-13	5,637	3,977
2013-14	5,727	3,968
2014-15	5,267	4,013
2015-16	5,247	4,034

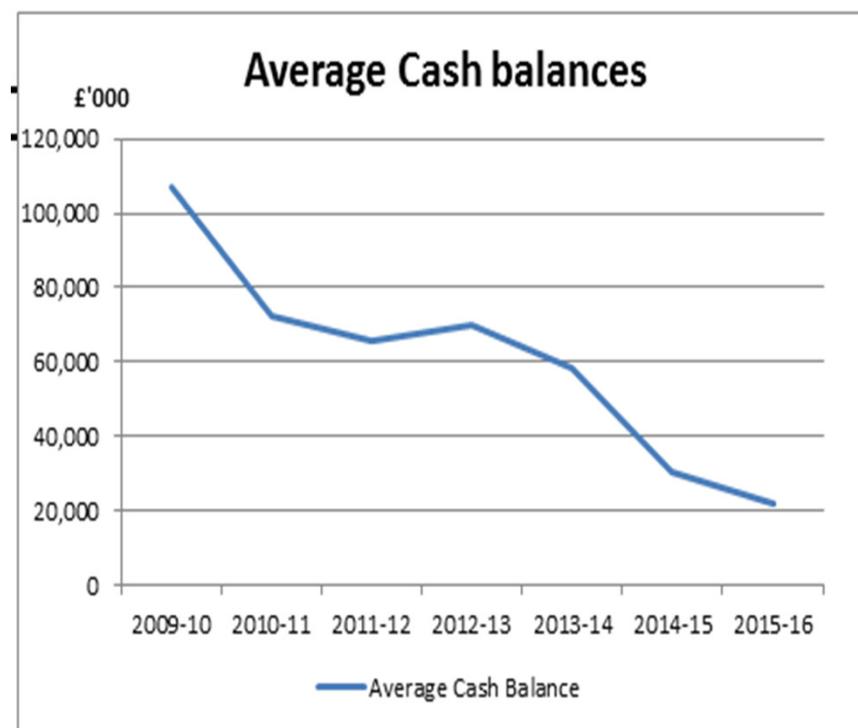
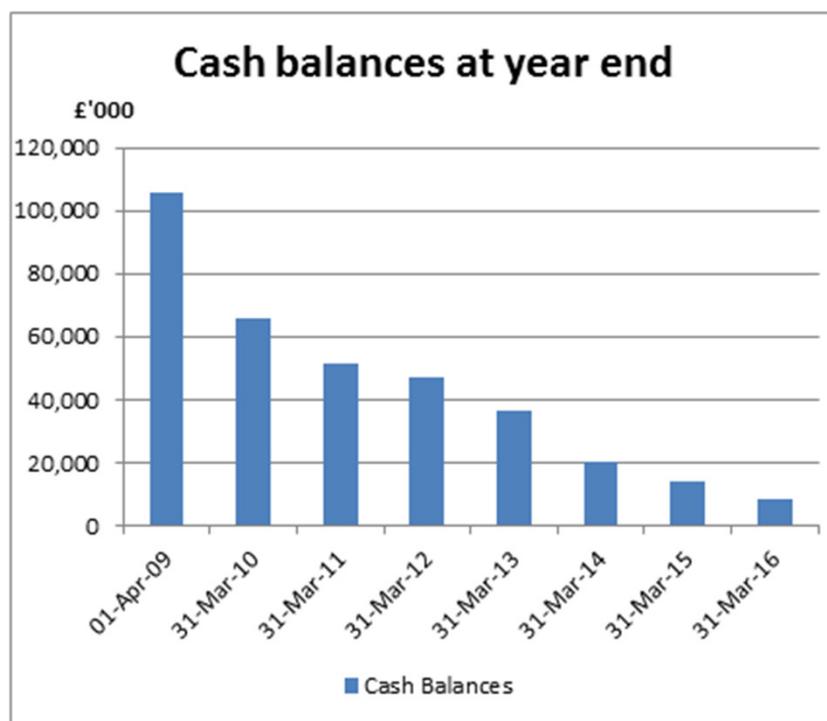
* HRA debt taken 28th March 2012 interest payable for 4 Days



Investment balances since 2009

(Excluding Lime Fund)

Includes schools balances from 20th November 2014



Investment Return since 2009

(Ex Lime Fund)

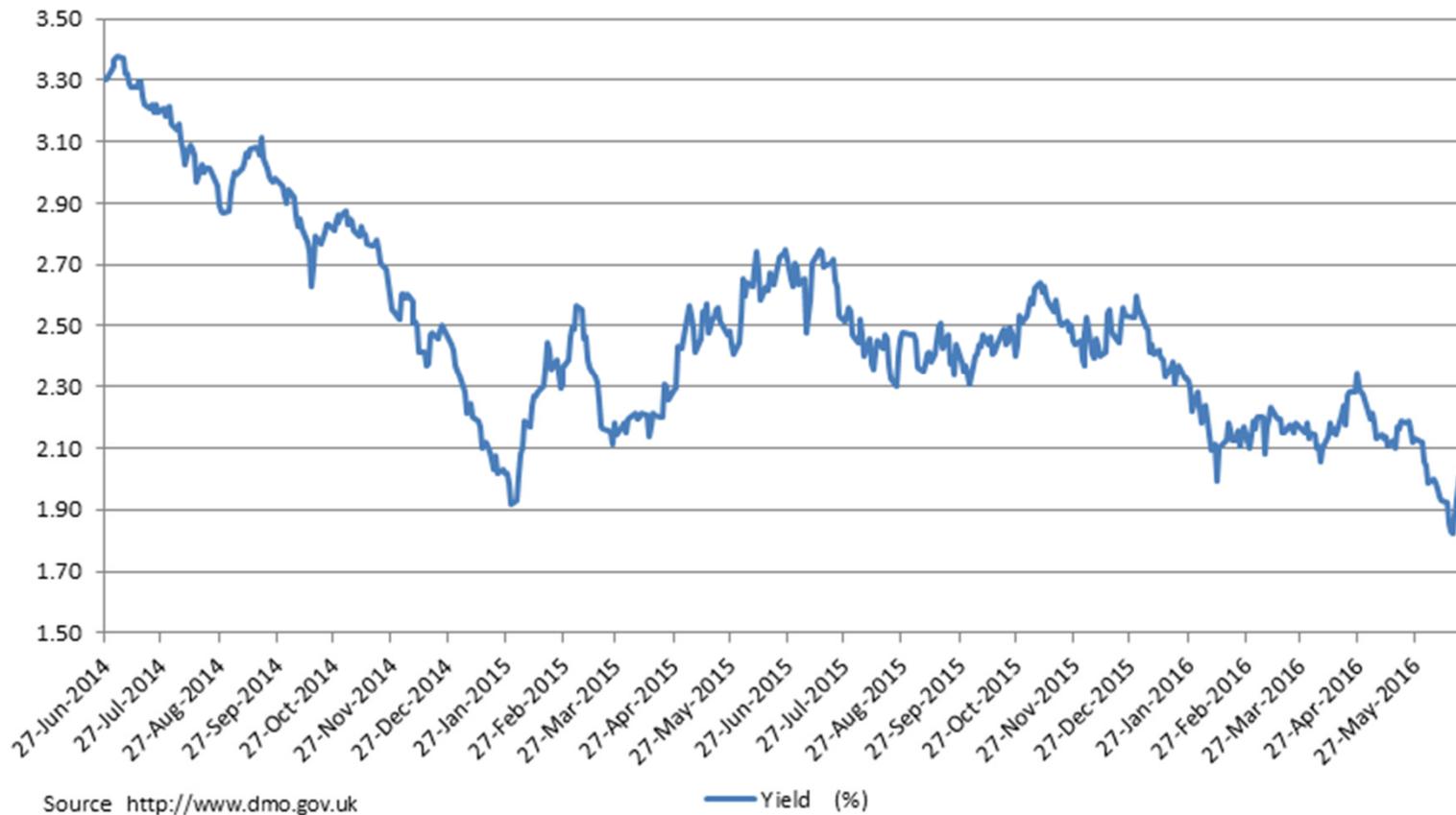
	Average Investment £'000	Interest Earned £'000	Interest Rate
2009-10	107,233	1,755	1.64%
2010-11	72,474	1,035	1.43%
2011-12	65,873	894	1.36%
2012-13	69,790	673	0.96%
2013-14	58,294	432	0.74%
2014-15	30,533	161	0.53%
2015-16	22,074	121	0.55%

LGPS Pension Scheme Deficits

- Council's largest liability at £320.6m a reduction of £59m 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)

Volatility in Gilt Yields

Gilt 4.25% 2036 Yield (%) June 2014 - June 2016



Discount Rate Pensions

	31/3/10	31/3/11	31/3/12	31/3/13	31/3/14	31/3/15	31/3/16
Discount Rate	5.5%	5.5%	4.8%	4.5%	4.2%	3.2%	3.5%
	£M						
Liabilities	(678.4)	(533.5)	(581.8)	(669.5)	(684.4)	(802.3)	(747.7)
Assets	352.1	336.2	332.2	365.7	377.2	422.7	427.1
Deficit	326.3	197.3	249.6	303.8	307.2	379.6	320.6
Deficit	52%	63%	57%	55%	55%	53%	57%

Pensions

- Assets and Liabilities follows IAS 19

	2013/14	2014/15	2015/16	Change 14/15 – 15/16
Liabilities	(£684m)	(£802m)	(£748m)	£54m (7%)
Assets	£377m	£423m	£427m	£4m (1 %)
Net Deficit	(£307m)	(£379m)	(£321m)	£58m (15%)
Assets as % Liabilities IAS 19	55.1%	52.7%	57.1%	

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

Supplementary Statements

- HRA Account – pages 109 - 113
- Collection Fund – pages 114 - 116

Housing Revenue Account

- Benefiting from low interest rates
- Reserving for and funding independent living schemes and strategic priorities Cap Exp £17.6m (£13.4m14/15)
- Accounting follows Communities and Local Government – Accounting Directions and related restrictions

Collection Fund

- Improving surplus position on Council Tax from £0.5m (13/14), £3.5m (14/15) to £7.3m (CBC share £6.2m)
- Business rate position increase in deficit reflecting valuation appeals and refunds. Deficit of £6.3m (13/14) £6.1m (14/15) now £7.2m (CBC share £3.5m)

Other Items: Remuneration Note 32

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

	2013/14	2014/15	2015/16
Temporary Staff	77	85	82
Permanent	155	181	191

- The figures exclude members of the Corporate Management Team, who are disclosed individually.
- Teaching and non-teaching staff received pay award in 2015/16. The increase in permanent numbers paid over £50k was evenly split between schools and other staff.
- The contracts of 68 staff (70 in 14/15) were terminated in year with £778k (£779k in 14/15) 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 £235m on the balance sheet. The depreciated replacement cost is currently estimated at approx £2 billion.
- The statutory deadline for producing the accounts is currently 30 June 2016. Under proposed changes to the Accounts and Audit Regulations 2011 it is proposed this will be 31 May, effective from 2017/18 SoA (i.e. 31 May 2018).
- Presentation of Service costs is changing to follow Council reporting practices in the CIES. Government returns remain SerCop.

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.

Conclusion and Next Steps

- The accounts will be audited by Ernst & Young LLP from July – September
- Public Inspection Period 28th June to – 8th August (30 working days)
- The final accounts will be approved by Audit Committee in September

Any Questions?





Unaudited Statement of Accounts 2015/16

*Presentation to Members
27/6/2016*

Core Statements and Note 32

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash flow Statement

Employee Remuneration Note 32

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 2015/16	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	HRA Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Schools Reserve £'000	Usable Reserves Total £'000
Balance at 31 March 2015	(15,167)	(31,561)	(2,000)	(18,357)	(200)	(3,451)	(13,580)	(11,689)	(96,005)
Movement in Reserves during 2015/16:									
(Surplus) / deficit on Provision of Services	29,347	0	(33,697)	0	0	0	0	0	(4,350)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	29,347	0	(33,697)	0	0	0	0	0	(4,350)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(30,840)	0	34,801	0	0	455	10,320	0	14,736
Net (increase) / decrease before transfers to Earmarked Reserves	(1,493)	0	1,104	0	0	455	10,320	0	10,386
Transfers (to) / from Earmarked Reserves (Note 8)	1,144	83	(1,104)	1,104	0	0	0	(1,227)	0
(Increase) / decrease in year	(349)	83	0	1,104	0	455	10,320	(1,227)	10,386
Balance at 31 March 2016	(15,516)	(31,478)	(2,000)	(17,253)	(200)	(2,996)	(3,260)	(12,916)	(85,619)

Unusable Reserves 2015/16	Revaluation Reserve £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment Account £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Short term Accumulated Absence £'000	Unusable Reserves Total £'000	Total Council Reserves £'000
Balance at 31 March 2015	(91,966)	(4)	379,640	(534,881)	1,601	(956)	2,472	(244,094)	(340,099)
Other Comprehensive I & E	(78,712)	(146)	(74,176)	0	0	0	0	(153,034)	(157,294)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(9,898)	0	15,097	(15,909)	(1,649)	(1,824)	(464)	(14,646)	0
(Increase)/Decrease in year	(88,610)	(146)	(59,078)	(15,909)	(1,649)	(1,824)	(464)	(167,680)	(157,294)
Balance at 31st March 2016	(180,576)	(150)	320,562	(550,790)	(48)	(2,780)	2,008	(411,774)	(497,393)

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	5,799	0	(27,804)	0	0	0	0	0	(22,004)
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	5,799	0	(27,804)	0	0	0	0	0	(22,004)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(9,541)	0	27,958	0	0	(1,105)	11,764	0	29,076
Net (increase) / decrease before transfers to Earmarked Reserves	(3,742)	0	154	0	0	(1,105)	11,764	0	7,072
Transfers (to) / from Earmarked Reserves (Note 8)	3,676	(3,797)	(154)	154	0	0	0	137	16
(Increase) / decrease in year	(66)	(3,797)	0	154	0	(1,105)	11,764	137	7,087
Balance at 31 March 2015	(15,167)	(31,561)	(2,000)	(18,357)	(200)	(3,451)	(13,580)	(11,689)	(96,005)

Unusable Reserves 2014/15	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
Balance at 31 March 2014	(59,300)	148	307,141	(493,035)	0	1,717	2,653	2,942	(237,734)	(340,826)
Other Comprehensive I&E	(37,880)	(152)	60,761	0	0	0	0	0	22,729	726
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,214	0	11,738	(41,845)	0	(116)	(3,609)	(470)	(29,089)	0
(Increase)/Decrease in year	(32,666)	(152)	72,499	(41,845)	0	(116)	(3,609)	(470)	(6,360)	726
Balance at 31st March 2015	(91,966)	(4)	379,640	(534,881)	0	1,601	(956)	2,472	(244,094)	(340,099)

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.

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
4,317	(2,659)	1,658	Central services to the public	5,147	(5,264)	(117)
12,673	(1,269)	11,405	Cultural and related services	10,263	(1,330)	8,933
25,829	(3,636)	22,193	Environmental and regulatory services	45,493	(2,440)	43,053
20,314	(5,015)	15,299	Planning services	18,075	(8,021)	10,054
210,406	(142,497)	67,908	Children's and education services	221,145	(146,557)	74,588
28,695	(4,723)	23,972	Highways and transport services	24,847	(2,252)	22,595
(3,534)	(28,335)	(31,866)	Local authority housing (HRA)	(7,659)	(28,727)	(36,386)
70,176	(66,041)	4,135	Other housing services	70,652	(65,514)	5,138
99,775	(25,430)	74,345	Adult social care	100,667	(26,418)	74,249
14,606	(14,508)	98	Public Health	16,478	(15,855)	623
3,746	(6,078)	(2,332)	Corporate and democratic core	3,633	(9,152)	(5,519)
2,400	(36)	2,365	Non-distributed costs	2,664	(59)	2,605
489,403	(300,227)	189,177	Cost of Services	511,405	(311,589)	199,816
					Note	
		10,852	Other operating expenditure		9	14,460
		19,476	Financing and investment income and expenditure		10	22,639
		(241,512)	Taxation and non-specific grant income and expenditure		11	(241,265)
		(22,004)	(Surplus) / deficit on the Provision of Services			(4,350)
			Items that will not be reclassified to the (Surplus) / deficit on the Provision of Services:			
		(41,765)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets		24a	(88,664)
		3,885	Impairment losses on non-current assets charged to the Revaluation Reserve		24a	9,952
		60,761	Remeasurement of the net defined benefit liability / (asset)		43	(74,176)
		(152)	(Surplus) / deficit on revaluation of available for sale financial assets		24b	(146)
		22,730	Other comprehensive income and expenditure			(153,034)
		726	Total Comprehensive Income and Expenditure - (Surplus) / Deficit			(157,384)

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 2015 £'000		Note	31 March 2016	
			£'000	£'000
974,623	Property, plant & equipment	12	1,193,334	
85,150	Investment property	14	0	
8,821	Intangible assets	15	8,670	
5,004	Long-term investments	16	5,150	
564	Long-term debtors	16	549	
1,074,162	Long-term assets			1,207,703
568	Short-term investments	16	564	
173	Assets held for sale	20	173	
0	Inventories	17	98	
47,997	Short-term debtors	18	54,700	
1,799	Cash and cash equivalents	19	409	
50,537	Current assets			55,944
(31,603)	Short-term borrowing	16	(63,683)	
0	Private Finance Initiative – short-term *	39	(481)	
(43,977)	Short-term creditors **	21	(47,590)	
(5,703)	Provisions	22	(5,677)	
(2,472)	Provisions – accumulated absences **	24g	0	
(83,756)	Current liabilities			(117,431)
(280,632)	Long-term borrowing	16	(274,146)	
(16,268)	Private Finance Initiative – long-term	39	(15,252)	
(379,640)	Net liability related to defined benefit pension schemes	43	(320,562)	
(24,304)	Grants receipts in advance – Capital ***	35	(38,863)	
(700,844)	Long-term liabilities			(648,823)
340,099	Net assets			497,393
(96,005)	Usable reserves	23		(85,619)
(244,094)	Unusable reserves	24		(411,774)
(340,099)	Total reserves			(497,393)

* PFI liability payable within 12 months of 31 March 2016 shown under current liabilities 2015/16.

** Includes Accumulated absences in 2015/16. *** Includes Sections 106 and 278 contributions. Other capital grant receipts in advance are treated as current liabilities in 2015/16.

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.

2014/15 £'000		Note	2015/16 £'000
22,004	Net surplus on the Provision of Services	25	4,350
10,636	Adjustments to net surplus on the provision of services for non-cash movements	25	47,427
(31,892)	Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	25	(37,116)
748	Net cash inflows from operating activities	25	14,661
(23,799)	Investing activities	26	(37,606)
5,767	Financing activities	27	21,555
(17,284)	Net increase / (decrease) in cash and cash equivalents		(1,389)
19,083	Cash and Cash Equivalents at 1 April		1,799
1,799	Cash and Cash Equivalents at 31 March	19	409

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 2015/16, 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)					
2015/16	181,300	1,193	182,493	45,144	227,637
2014/15	181,300	801	182,101	44,237	226,338
Sue Harrison (Director of Children's Services)					
2015/16	145,000	808	145,808	36,105	181,913
2014/15 *	76,125	441	76,566	18,574	95,140
Edwina Grant (Deputy Chief Executive & Director of Children's Services)					
2015/16	0	0	0	0	0
2014/15 *	50,507	301	50,808	12,091	62,899
Julie Ogley (Director of Social Care, Health & Housing)					
2015/16	145,000	1,373	146,373	36,104	182,477
2014/15	142,781	1,160	143,941	34,838	178,780
Charles Warboys (Chief Finance Officer - S151)					
2015/16	110,000	853	110,853	27,390	138,243
2014/15	101,655	572	102,227	24,804	127,031
Marcel Coiffait (Director of Community Services)					
2015/16	110,000	574	110,574	27,390	137,964
2014/15	108,839	569	109,408	26,657	136,065
Deb Broadbent-Clarke (Director of Improvement & Corporate Services)					
2015/16	132,692	597	133,289	0	133,289
2014/15	135,000	488	135,488	0	135,488

Melanie Clay (Chief Legal & Democratic Services Officer) 2015/16 * 2014/15	39,579 84,800	0 0	39,579 84,800	9,855 20,605	49,434 105,405
Jason Longhurst (Director of Regeneration & Business Support) 2015/16 2014/15	110,000 110,000	1,626 1,807	111,626 111,807	27,390 26,840	139,016 138,647
Muriel Scott (Director of Public Health) 2015/16 2014/15	100,669 98,214	3,167 2,899	103,836 101,113	25,604 23,964	129,440 125,077
Totals: 2015/16 2014/15	1,074,240 1,089,221	10,191 9,038	1,084,431 1,098,259	234,982 232,611	1,319,413 1,330,870

* Part-year costs only

Melanie Clay – Chief Legal & Democratic Services Officer left CBC 17/9/15 and was replaced by Quentin Baker as a temporary Monitoring Officer employed by LGSS Law Ltd. The total CBC paid to LGSS Law Ltd was £27,656.

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 £52,113.

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

The following table shows the Council's other school and non-school permanent 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 non-school 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	2014/15	2015/16	2014/15	2015/16
	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	56	63	15	15
£55,000-£59,999	47	40	10	11
£60,000-£64,999	37	33	15	7
£65,000-£69,999	15	26	18	12
£70,000-£74,999	6	6	6	4
£75,000-£79,999	2	5	5	7
£80,000-£84,999	4	4	5	7
£85,000-£89,999	8	6	3	4
£90,000-£94,999	3	4	1	3
£95,000-£99,999	1	2	1	5
£100,000-£104,999	1	1	1	2
£105,000-£109,999	1	1	1	0
£110,000-£114,999	0	0	0	3
£115,000-£119,999	0	0	0	2
£120,000-£124,999	0	0	1	0
£125,000-£129,999	0	0	1	0
£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	0
£150,000-£154,999	0	0	0	0
£160,000-£164,999	0	0	0	0
£165,000-£169,999	0	0	1	0
Total	181	191	85	82

Exit Packages

The total cost of £778K 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	
	2014/15	2015/16	2014/15 £'000	2015/16 £'000
£0 - £20K	59	53	403	319
£20 - £40K	7	13	184	329
£40 - £60K	4	0	192	0
£60 - £80K	0	2	0	130
£80 - £100K	0	0	0	0
£100 - £150K	0	0	0	0
£150 - £200k	0	0	0	0
Total	70	68	779	778

UNAUDITED

This page is intentionally left blank



APPENDIX C

CENTRAL BEDFORDSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015/16

1.0 SCOPE OF RESPONSIBILITY

Central Bedfordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

Central Bedfordshire Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this code is on our website www.centralbedfordshire.gov.uk.

This statement explains how the Council has complied with national good practice guidance and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

This statement should be read in conjunction with the Code of Corporate Governance. It explains how Central Bedfordshire Council has complied with the Code and how it has met the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

2.0 THE GOVERNANCE FRAMEWORK

2.1 The purpose of the governance framework

The governance framework is made up of the systems, processes, culture and values by which the authority directs and controls its activities and through which it

engages with and leads the community. The framework enables the authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate services and value for money. The governance framework is described in the Code of Corporate Governance.

The system of internal control is a significant part of the corporate framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Central Bedfordshire Council for the year ended 31 March 2016 and up to the date of the approval of the statement of accounts.

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

2.2 Central Bedfordshire Council's Vision

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

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

~~Following the election of a new administration in May 2015, senior officers and members developed a five year plan setting out areas of focus and actions to meet the council's continuing objective to make Central Bedfordshire a Great Place to Live and Work.~~

~~Following the election of a new administration in May 2015 a new medium term plan was developed by senior officers and members. This five year plan for the period 2015-2020 was adopted in November 2015. The Council's overall objective~~

is to create Central Bedfordshire as a “great place to live and work” and the plan identifies the following priorities:

- Enhancing Central Bedfordshire.
- Great residence services.
- Improving education and skills.
- Protecting the vulnerable and improving wellbeing.
- Creating stronger communities.
- An efficient and responsive Council.

The five year plan sets out areas of focus and actions to meet the Council's continuing objective to make Central Bedfordshire a Great Place to Live and Work.

The Council's Budget and Policy Framework contains specific plans, policies and strategies driving delivery of the Council's priorities and key work programmes.

The Council has adopted a set of organisational values that describe the type of organisation we want to be and the principles that will guide us in achieving our priorities and vision. These set out the way the Council will work and interact with its customers, members and staff.

The Council's values are:

Respect and Empowerment

- we will treat people as individuals who matter to us.

Stewardship and Efficiencies

- we will make the best use of the resources available to us.

Results Focused

- we will focus on the outcomes that make a difference to people's lives, and

Collaborative

- we will work closely with our colleagues, partners and customers to deliver on these outcomes.

2.3 Service quality

The Council has used regular performance reporting to ensure a sustained focus on those things that matter most to local people. We have a focussed and disciplined approach to producing, reviewing and acting on this critical performance information and it has resulted in success in both delivering short and medium term priorities and in the continuing improvement in performance of our services.

At a strategic level, the Corporate Management Team (CMT) regularly reviews reports on the performance of the Council. Each month CMT considers “Making it Happen” (MIH), People, and Place scorecards comprising the key directorate and corporate health performance indicators. These were reviewed and updated at the end of March 2016. In addition, on a quarterly basis, CMT review a MTP progress or status report. This report is presented to the Executive with any specific issues addressed through Overview & Scrutiny. At an operational level, performance data is populated on the Council’s performance system (Inphase) by relevant Directorates. Each Director has responsibility for ensuring that relevant data and commentaries are published on the system. Directorate Management Teams also consider on a regular basis the key performance data of their Directorate, with associated commentary provided by Assistant Directors and/or Heads of Service as appropriate.

2.4 Key roles and responsibilities

The Council’s Constitution sets out how the Council operates. It indicates clearly what matters are reserved for decision by the full Council itself and those powers which have been delegated to committees and officers. The powers of the Executive and those delegated to individual Executive Members are also defined. The Council has adopted a Constitution with separate chapters covering each of the main areas of operation (i.e. Council, Executive, Overview and Scrutiny, Officers, Joint Arrangements, Ethics and Standards). The Constitution is reviewed regularly. The most recent review commenced in March 2016 and is continuing. In the course of the year 2015/16, changes have been made to the Constitution under the Monitoring Officer’s delegated authority to reflect legislative updates, and for points of clarity and transparency. Any significant changes proposed to the Constitution are considered by the General Purposes Committee for recommendation to Full Council.

The key policies of the Council are defined in the “Policy Framework” which forms part of the Budget and Policy Framework Procedure Rules within the Constitution. The Council reviews the Policy Framework periodically to ensure that it is fit for purpose and contains the most strategically important plans and those closely aligned to its corporate priorities.

The Constitution describes the role of the statutory officers (the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer) as well as describing in the Scheme of Delegation those statutory duties for which officers are responsible. It also includes a Member/Officer protocol which sets out a framework to guide officers and members in their joint working. Role definitions covering the responsibilities and accountabilities of key member offices (e.g. Leader, Executive member, Overview and Scrutiny Chairman, Chairman of the Council) have also been developed to assist in understanding their respective roles and expectations.

The Head of Paid Service, Monitoring Officer and Chief Finance Officer meet on a regular basis as statutory officers to consider and address any corporate issues or matters of probity that may benefit from their collective input and approach.

The governance arrangements for the Chief Finance Officer are set out in the CIPFA statement on the Role of the Chief Finance Officer in Local Government (2010) and are as follows:

The Chief Finance Officer in a public service organisation:

- a) is a key member of the strategic management of the Council, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- c) must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Finance Officer

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

The Council's Chief Finance Officer is a member of the Council's Corporate Management Team (CMT) and as such he has access to the agenda, reports and minutes of CMT.

The powers of officers are clearly defined in the Scheme of Delegation to Officers and the Scheme also sets out the circumstances in which delegations are not to be exercised and principles which should be taken into account by decision makers when taking decisions. High level Codes of Financial and Procurement Governance set out the constraints within which officers may work and these Codes are supported by more detailed procedure rules.

Internal systems are in place with the aim of ensuring that Members are presented with the appropriate information to make decisions, including corporate implications with advice on legal, risk and financial considerations. Member level decisions are made on the basis of reports and are recorded.

2.5 Codes of Conduct and standards of behaviour of Officers and Members

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

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

The Council's General Purposes Committee is responsible for overseeing the arrangements. The Council collaborated with a number of neighbouring local authorities to appoint a panel of Independent Persons, as required by the Localism Act who are available to advise as and when complaints are received relating to the Code of Conduct. The appointments were for a term of 4 years and it is proposed that they will be extended for a further term of 4 years as from September 2016.

There is a system in place to deal with the investigation and determination of alleged breaches of the Members' Code of Conduct. Upon receipt, complaints are assessed by the Council's Monitoring Officer in consultation with the Independent Person. Where necessary, complaints are considered and determined by the Standards Sub-Committee. This system is periodically reviewed to develop best practice, and was revised in 2015/16 to remove the right of appeal from a decision of the Standards Sub-Committee to reduce the overall process and create certainty.

As a result of the elections in May 2015, training on the Code of Conduct and the rules relating to disclosable interests was provided for both re-elected and new members.

The Council also has in place a number of codes and protocols relating to various aspects of ethical governance including: a Code of Conduct for Officers, a Protocol for Members/Officer Relations, a Monitoring Officer Protocol and a Protocol regarding the use of ICT at Home. These codes and protocols are included in the Council's Constitution.

Additionally, there is an Ethical Handbook which contains further Codes relating to Gifts and Hospitality, Planning and Licensing Good Practice, Confidential Reporting (Whistleblowing) and guidance for Members on Property and Transactions and Commercial Property Management.

The Council's Assistant Director Legal & Democratic Services is appointed as the Council's Monitoring Officer. Governance arrangements for the Monitoring Officer are set out in statute and in the Constitution. The Monitoring Officer has access to the agenda, reports and minutes of CMT and attends CMT meetings from time to time as appropriate.

2.6 Decisions, processes and controls

The Scheme of Delegation to Officers sets out the powers which are delegated to the Chief Executive and Directors, as well as setting out the general principles governing the circumstances in which decisions may not be taken under delegation and considerations to be taken into account by a decision taker when making a decision, including the requirement to consult local councillors on matters that affect their wards. Procedures are in place to enable Directors to sub-delegate to other officers and to notify the Monitoring Officer if any such arrangements are made.

The Code of Financial Governance sets out the limits within which officers may make decisions on spending, within the budget approved by the Council. The Code is supported by detailed procedure rules which are maintained on the Council's intranet.

The Code of Procurement Governance defines the procurement process and references the relevant levels of authority dependant upon financial thresholds. The Code is supported by detailed procedure rules which are maintained on the Council's intranet. The rules are promoted to staff through bespoke training courses. They are also embedded in a Procurement Tool Kit which is made available to all members of staff who are involved in procurement, and is available as an interactive version on the Intranet. A two page pictorial summary of the rules is also made available.

The Council's Risk Management Strategy and Policy Statement was updated and approved by the Audit Committee in January 2016. The Strategic Risk register has been regularly reviewed and refreshed during the year. CMT endorsed the Risk Management Strategy and Policy Statement and have received regular risk reports during the year, which have also been presented to the Audit Committee.

Committee reports require officers to set out the risk management considerations in terms of current and potential risks and how they will be managed and mitigated.

2.7 Functions of the Audit Committee

The terms of reference of the Audit Committee are set out in the Council's Constitution, and are broadly in accordance with the CIPFA guidance document. The purpose of the Audit Committee is to provide independent assurance of the

adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2.8 Compliance with relevant laws and regulations

The Council has access to a team of professional legal staff with specialist knowledge of its functions who advise on relevant laws, regulations and constitutional issues to ensure that the Council acts lawfully. In June 2010, the Central Bedfordshire Legal Team achieved the Lexcel accreditation, a quality standard administered by the Law Society. This accreditation applies for three years with annual maintenance visits. The accreditation was renewed in 2013 and continues to be maintained. Compliance with the Lexcel standard provides assurance that the service provided is in accordance best practice. There is a strong focus on continuous professional development to ensure that staff are well-trained and have up-to-date knowledge of all the relevant specialist areas of law that govern the Council's activities.

As from 1 April 2016 the in-house legal service became a shared service and transferred to LGSS Law Ltd, a firm wholly owned by the Council, Cambridgeshire County Council and Northamptonshire County Council. This increases the specialist areas of law that can be covered and supplies a wider range of staff to support and advise the Council more cost effectively. All legal advice is to be provided by LGSS Law Ltd and any external legal support is to be commissioned through LGSS Law Ltd.

All reports that are considered by the Executive, the Council's regulatory committees and by overview and scrutiny committees include advice on the legal implications and risks of the proposed decisions. These reports are reviewed by a senior legal adviser to ensure that the legal implications have been accurately reflected.

The Monitoring Officer, or as appropriate, a senior lawyer attends meetings of the Council, the Executive and regulatory committees to advise on legal issues as they arise.

2.9 Whistle-blowing and complaints

The Council introduced a whistle-blowing policy known as the Confidential Reporting Code in the Ethical Handbook section of the Constitution. This has been regularly reviewed and updated to reflect changes to roles and responsibilities, most recently by the Audit Committee in January 2012. A further review is currently in progress.

An Anti-Fraud and Corruption Strategy was also approved and is included in the Ethical Handbook of the Constitution. This was also updated by the Audit Committee in January 2012 to reflect the introduction of the Bribery Act 2010 and changes to reporting channels within the Council. A review is currently in progress.

The Council welcomes feedback on its services and has a three stage complaints procedure for customers. There are timescales for remedying complaints. If more time is needed, the complainant will be informed.

The Three Stages of the Complaints Procedure:

Stage 1 Complaints – local resolution by a manager of the service. A response is required to be made within five working days.

Stage 2 Complaints – senior service level investigation. A response is required to be made within 15 working days.

Stage 3 Complaints – investigation by someone outside of the service area complained about. A report is to be produced within 15 working days. The service Director responds to the findings in the report.

There are separate procedures for Children's Services and Adult Social Care where complaints procedures are governed by Regulations. There are also formal processes for registering complaints in respect of the Council's Housing Landlord functions.

2.10 Development and training for Officers and Members

The 360 degree feedback exercise has been conducted for the entire Leadership Network (previously SMG and 4th tier managers). The Feedback is measured against a set of Leadership Qualities that were originally developed by SMG and have been refined and adjusted to meet the continually changing environment of local government. The results of the 360 feedback are then embedded into the Your Year conversations and help identify individual development areas.

Throughout the year we have continued to develop our 4th tier managers through the Leadership Development Management Programme. This includes an option of an ILM5 qualification. Other management training included the piloting of a 5th tier programme to address the learning needs of Managers at this level. We also developed a HR Management in Practice Course that develops the managers ability to understand and implement the various HR policies within their role as people managers.

We have offered a range of Learning and Development opportunities with a focus on providing a wealth of on-demand resources (e-learning, webinars, e-books etc)

linked to the Corporate Vision, Values and Priorities. These are designed to provide individuals with the skills to do their job and to support them and the organisation in meeting their objectives and statutory requirements in the context of the Council and local government.

The Member Development Programme has been developed to support all Members and provides essential updates and training sessions. This was supplemented by further comprehensive training in all areas after the elections in May 2015. It was ratified by the Member Development Champion and approved by the Corporate Management Team.

2.11 Channels of communication

Central Bedfordshire Council is committed to deliver planned, sustained and two way communications and engagement with the public, staff and other stakeholders.

Specifically, the Council aims to:

- a) raise awareness and understanding of the vision, priorities and values of the Council both internally and externally
- b) develop and improve its channels of direct communication with customers and stakeholders, in particular digital channels;
- c) prioritise core campaigns;
- d) enhance internal communications to facilitate change and increase staff engagement;
- e) enhance media relations to enable accurate reporting of the decision making and service developments of the Council;
- f) support effective relationships with national and regional stakeholders.

Core channels for public communication include our community magazine, News Central, which is delivered to all households on a quarterly basis in line with Communities and Local Government guidance on Local Government Publicity. The magazine regularly includes information about all access routes to the Council, by phone, on line or face to face.

The magazine also includes features on policy and service developments, promotes consultations and invites feedback from customers. Copies of the magazine are available in alternative formats and it is published on line.

The Council's website is a critical communication channel which is available in both a conventional format and in a bespoke format for mobile devices. The website was updated and reconfigured and was relaunched in March 2016 to provide better access and information for residents. On line presence provides news and information to residents and other stakeholders. Customers are also able to log on

to our portal to report issues such as potholes and apply for some of our services. The highways online reporting facility is also compatible with tablets and smartphones.

Additional digital channels include email bulletins on a wide range of services, updates on Twitter and bespoke Facebook pages. In total, approximately 40,000 residents subscribe to these channels.

In order to strengthen our ability to engage with all elements of our community and particularly with younger people, the Council has developed a presence on line to embrace social media through sites such as Facebook and Twitter.

Proactive media relations services also ensure that Council decision making and service developments are effectively reported to the media, which continues to be a key communication channel to the public.

Staff communication mechanisms combine a series of face to face, on line and written media. These include regular staff briefings (the Chief Executive has twice yearly staff roadshows to update staff on corporate direction and priorities), weekly electronic bulletins, blogs and updated news on the intranet. Corporate communications are complemented by specific channels for service Directorates. Stakeholder communications channels include a stakeholder ezine, regular face to face fora and the publication of information on the Central Bedfordshire Together website, a bespoke site partners in Central Bedfordshire.

A weekly bulletin is sent to all Members to provide information about forthcoming events, meetings and to ensure that they are made aware of any significant issues.

In addition to programmed communication activities, the Council regularly sends emails and briefings to update both Staff and Members on important topics.

2.12 Equality and Diversity

Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations. The Council wants to ensure that it provides services which address the needs of all members of the community and employs a workforce that at all levels is representative of the community it serves and which experiences fairness and equity of treatment.

As strategies, policies and services are developed, the Council conducts Equality Impact Assessments to:

- Consider issues relating to age, disability, sex, pregnancy and maternity, gender reassignment, marriage and civil partnerships, race, religion and belief and sexual orientation.
- Obtain a clearer understanding of how different groups may be affected.
- Identify changes which may need to be built into an initiative as it is developed.
- Comply with legislative requirements.
- Identify good practice.

The Council supports an Equality Forum (Central Bedfordshire Equality Forum) of voluntary sector representatives which acts as an advisory and consultative body to the Council on statutory service delivery and employment duties and issues relating to age, disability, gender re-assignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex and sexual orientation as they relate to Central Bedfordshire. The Core Functions of the Forum are:

- To provide a mechanism for consultation and liaison with community groups and other voluntary sector agencies.
- To advise on the overall development and implementation of the Council's Single Equality Scheme.
- To provide advice and feedback on the impact of new policies and functions.
- To consider and quality assure Equality Impact Assessments undertaken by the Council, or in conjunction with partners, relating to strategy, policy and service development. Recommendations are fed back to relevant services.
- To raise awareness within the Council of the potential barriers to inclusion and equality of opportunity experienced by vulnerable and disadvantaged groups.

The Equality Forum meets four times a year and quality assures all the significant Council Strategies and Policies and the accompanying equality impact assessments. The Forum has reviewed a number of key initiatives spanning all parts of the Council including that of the budget setting process.

2.13 Partnership governance

The Council's Constitution includes a detailed Partnerships Protocol that sets out the arrangements and principles for established and future Public and Private Sector Partnerships. These are defined as:

Public Sector Strategic Partnerships: one or more public bodies, including voluntary organisations and charities that determine strategies for service delivery, but which have little or no resource management responsibilities;

Public Sector Delivery Partnerships: one or more public bodies, including voluntary organisations and charities that commission or deliver services on behalf of the partners and which have significant resource management responsibilities; and Private Sector Partnerships: private companies, either in their own right or as part of a public sector partnership entering into a contract with the Council for a considerable period.

The Partnerships Protocol was developed in line with the Audit Commission's report on partnership governance however it will be included in the review of the Constitution and updated as necessary

The Protocol prescribes the key requirements to ensure accountability (internally amongst partners and externally to communities), value for money, leadership, decision-making, scrutiny and risk management.

All partnerships are required to have detailed terms of reference that fully set out all of the arrangements and key partnerships review these on an annual basis to ensure they are fit for purpose and aligned to the Partnership's future work programme.

Going forward the Health and Wellbeing Board has the strategic overview of the Better Care Fund Plan. This Plan sets out a shared vision for the delivery of integrated and locality based health and social care provision in Central Bedfordshire. A Joint Commissioning Board for the Better Care Fund, made up of relevant multi agency senior officers, will report directly to the Health and Wellbeing Board, ensuring that the pooled budgets are targeted at delivering the outcomes set out in the Plan.

3.0 REVIEW OF EFFECTIVENESS

Central Bedfordshire Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team, which has responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular, the Council has adopted the CIPFA/SOLACE framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local code of governance. The Council's review process uses the Key Roles and Core Principles included in this guidance and this Statement sets out how the

Council meets these roles and principles in its control and governance arrangements.

The Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports.
- the work undertaken by Internal Audit during the year.
- the work undertaken by the external auditor reported in their annual audit and inspection letter.
- other work undertaken by independent inspection bodies.

The arrangements for the provision of internal audit are contained within the Council's Code of Financial Governance which is included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control, as required by the Accounts and Audit Regulations 2015. The internal audit provision is managed, independently, by the Head of Internal Audit and Risk who reports to the Chief Finance Officer on an administrative basis, and operated in accordance with Public Sector Internal Audit Standards (PSIAS) during 2015/16.

The Internal Audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The resulting work plan is discussed and agreed with the Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These are submitted to Members, Directors and Head Teachers as appropriate.

The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee also reviews progress in implementing high risk recommendations made in audit reports.

A self assessment review is undertaken annually by the Head of Internal Audit and Risk against compliance with the Public Sector Internal Audit Standards 2013 on the effectiveness of the Internal Audit function. No issues of concern were raised as a result of these reviews. An independent external assessment was undertaken by CIPFA during 2015/16, and the Internal Audit Team is fully compliant with the Standards.

The Council has established Overview and Scrutiny Committees which receive

reports on key issues including budget monitoring, performance and efficiency information.

The Council's performance is monitored on a quarterly basis by the Executive and Overview and Scrutiny Committees. Directorate and service plans contain a variety of performance indicators and targets that are regularly reviewed.

The Council's information governance performance is reported and monitored on a quarterly basis by the Information Assurance Group (IAG) and reviewed by CMT as appropriate. IAG seeks to promote effective information governance and compliance across the Council. As well as developing information sharing protocols with Partner Organisations, including working towards the better use of information and technology to transform health and social care services in line with government strategy the Group also monitors compliance with the Information Governance Toolkit. The Toolkit is a performance tool produced by the Department of Health in relation to Adult Care but which has universal application. The Council achieved level 2 compliance (82%).

The IAG is chaired by the Senior Information Risk Owner (SIRO) to the Council or their nominated representative.

As a result of data protection breaches, the Information Commissioner's Office conducted a data protection audit in April 2015 and the implementation of the recommendations from the audit have now been signed off.

The external auditors also reviewed the decision making processes after a referral to the NAO regarding the shared legal services. No challenge was raised although some areas for improvement were identified. As well as updating the Constitution, appropriate action will be taken to address the learning points arising from the review.

During the early part of 2016 Ofsted and other inspectorates undertook a joint targeted area inspection of the multi-agency response to abuse and neglect in Central Bedfordshire. The overall assessment as it relates to the Council was good. The inspection highlighted opportunities for improvement that will be pursued on a partnership basis.

4.0 ANNUAL AUDIT REPORT FOR 2015/16

The Council's Head of Internal Audit submitted her opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 27 June 2016. The Internal Audit work programme included reviews of the fundamental financial systems and other assurance work on other non fundamental systems.

The Head of Internal Audit reported that her opinion was that overall the Council's system of internal control, governance framework and risk management arrangements were adequate. In general, the key controls in place were adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

Two of the fundamental system reviews received a Full Assurance audit opinion and the remainder have received an opinion of Adequate Assurance. The change of provider for agency staff effective from November 2014 resulted in interim control procedures being introduced with a reduction in the control environment for a significant area of activity for the latter half of 2014/15 and the first half of 2015/16. Revised management controls were introduced in October 2015. A detailed audit review is scheduled for 2016/17.

The majority of audit reviews of areas other than the fundamental systems have received Adequate Assurance opinions. Where weaknesses in the current processes have been identified actions have been agreed with management to address these issues.

Internal Audit has continued to track the implementation of high priority recommendations. This work has identified that, although progress was made during 2015/16 to develop a comprehensive IT Disaster Recovery Plan, this work has still to be finalised. The Chief Information Officer has undertaken a review of the data centre provisioning at the Council and it is anticipated that there will be significant changes made in the technologies in use and how they are supported. ICT is undertaking to deliver a refreshed and renewed Disaster Recovery Plan. Internal Audit undertook a further audit review of IT Disaster Recovery during 2015/16, and the audit opinion remained Limited Assurance.

The Audit Committee has received regular updates on this during the year, and it was resolved at the April 2016 Audit Committee that the Chief Information Officer be invited to attend the September Committee to provide an update on the progress made in developing and approving the Information Technology Disaster Recovery Plan.

5.0 SIGNIFICANT GOVERNANCE ISSUES

In previous Annual Governance Statements certain significant governance issues have been identified, together with the measures that the Council intends to take to manage the risks associated with these issues. Such issues are identified in the Council's Corporate Risk Register, which also identifies the mitigating action to be taken. The Risk Register is monitored regularly by CMT.

The following significant governance issues were identified during 2015/16:

- New EU Regulations relating to data protection will be effective as from May 2018 and this will require updating of processes and procedures to ensure compliance
- CIPFA/SOLACE have developed a new Good Governance in Local Government 2016 Framework which will come into effect for 2016/17.

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

- Information Management: a lack of consistent information management and data accuracy across the organisation leading to non compliance with the Data Protection Act and breaches of information security.
- Growth: a risk that failure to adopt a Local Plan and Infrastructure Levy and subsequently deliver the levels of housing, jobs or infrastructure proposed for growth and regeneration of the area in a planned way.
- Fragility of partners/Failure of partnerships: all partners are experiencing significant changes and pressures. There is an increased risk that services may be compromised and costs fall to the Council. As a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.

6.0 COMPLIANCE WITH CIPFA CODE OF PRACTICE ON MANAGING THE RISK OF FRAUD AND CORRUPTION

To help Councils recognise and address their fraud risks, CIPFA published a Code of Practice on Managing the Risk of Fraud and Corruption in December 2014. This sets out five principles that organisations should adhere to:

- Acknowledge responsibility
- Identify risks
- Develop a Strategy
- Provide resources
- Take action

The Code includes a requirement for organisations to include a statement within their Annual Governance Statement about their adherence to this Code. A detailed review of the Council's arrangements against the Code has been undertaken to address any gaps identified and action has been taken to address any issues

identified. Work is in progress to update the Anti-Fraud and Corruption Strategy to support compliance with the Code.

Having considered all the principles, we are satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Actions to be taken to manage the risk of fraud:

Action:	Responsibility:	Target Date:
To finalise the review of both the Confidential Reporting Policy (Whistle blowing) and the Anti Fraud and Corruption Strategy to support compliance with the Code.	Chief Finance Officer	End December 2016

7.0 CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2015/16 and has been approved by the Council’s Audit Committee.

Overall, the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Council proposes to take steps over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....
J JAMIESON
LEADER OF THE COUNCIL

.....
R CARR
CHIEF EXECUTIVE

Dated
.....

Dated
.....