

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

**This meeting
may be filmed.***



**Central
Bedfordshire**

please ask for Leslie Manning
direct line 0300 300 5132
date 14 September 2017

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Wednesday, 27 September 2017 10.00 a.m.

Venue at

Room 15, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the AUDIT COMMITTEE:

Clrs M C Blair (Chairman), D J Lawrence (Vice-Chairman), D Bowater,
P Downing, R Morris, D Shelvey and A Zerny

[Named Substitutes:

Clrs R D Berry, Mrs J G Lawrence, I Shingler and N Warren]

All other Members of the Council - on request

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

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AGENDA

1. **Apologies for Absence**

To receive apologies for absence and notification of substitute Members.

2. **Minutes**

To approve as a correct record the minutes of the meeting of the Audit Committee held on 29 June 2017 (copy attached).

3. **Members' Interests**

To receive from Members any declarations of interest.

4. **Chairman's Announcements and Communications**

To receive any announcements from the Chairman and any matters of communication.

5. **Petitions**

To receive petitions from members of the public in accordance with the Public Participation Procedure as set out in Annex 2 of Part 4G of the Constitution.

6. **Questions, Statements or Deputations**

To receive any questions, statements or deputations from members of the public in accordance with the Public Participation Procedure as set out in Annex 1 of Part 4G of the Constitution.

Reports

Item	Subject	Page Nos.
7.	External Audit Results Report 2016/17 To consider a report from Ernst & Young LLP which sets out the outcomes from the external audit of the Council's 2016/17 financial statements and the conclusion of work to review the Council's arrangements for securing value for money in the use of its resources. The report also sets out Ernst and Young's proposed audit opinion, key findings and any recommendations to consider prior to the approval of the 2016/17 accounts.	* 69 - 108

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|-----|---|-------------|
| 8. | 2016/17 Statement of Accounts | * 109 - 266 |
| | To present for approval the 2016/17 Statement of Accounts for Central Bedfordshire Council and the letter of representation to the external auditors. | |
| 9. | Update on the General Data Protection Regulation | * 267 - 276 |
| | To consider an update on the General Data Protection Regulation which becomes enforceable from 25 May 2018. | |
| 10. | Annual Governance Statement 2016/17 | * 277 - 308 |
| | To consider the proposed updates to the Annual Governance Statement. | |
| 11. | Risk Update Report | * 309 - 320 |
| | To consider an overview of the Council's risk position as at August 2017. | |
| 12. | Internal Audit Progress Report | * 321 - 328 |
| | To consider an update on the progress of work by Internal Audit for 2017/18. | |
| 13. | Tracking of Internal Audit Recommendations | * 329 - 336 |
| | To consider a summary of high priority recommendations arising from Internal Audit reports together with the progress made in their implementation. | |
| 14. | Work Programme | * 337 - 340 |
| | To consider the Audit Committee's work programme. | |

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Thursday, 29 June 2017

PRESENT

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

Cllrs D Bowater
R Morris

Cllrs D Shelvey
A Zerny

Apologies for Absence: Cllr P Downing

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

Members in Attendance: Cllrs Mrs C F Chapman MBE
P A Duckett

Officers in Attendance:

Mr Q Baker	AD Legal Services (Monitoring Officer)
Mr D Galvin	Head of Financial Performance
Mr R Gould	Head of Financial Control
Mr C Horne	Head of Internal Audit and Risk
Mrs J Luckman	Fraud, Welfare & Partnerships Manager, Revenues and Benefits
Mr L Manning	Committee Services Officer
Mr G Muskett	Head of Revenues & Benefits
Ms S Pocock	Financial Controller
Mr C Warboys	Director of Resources

Others in Attendance: Ms C Ryan Manager – Ernst & Young LLP

AUD/17/1. Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 3 April 2017 be confirmed and signed by the Chairman as a correct record.

AUD/17/2. Members' Interests

None.

AUD/17/3. Chairman's Announcements and Communications

The following announcements and communications were made:

- this was the last meeting that Ralph Gould, Head of Financial Control, would attend prior to his retirement. The Chairman, on behalf of the Committee, thanked Mr Gould for his excellent guidance to Members and wished him well. In response Mr Gould thanked the Committee for its best wishes and expressed his pleasure at having worked at the Council.
- At the Chairman's request, and arising from Mr Gould's forthcoming retirement and the recent retirement of Kathy Riches, the former Head of Internal Audit and Risk, the Director of Resources outlined the resulting changes which had taken place at both individual and team level within Finance and introduced those officers concerned who were present at the meeting.
- all attendees were asked to silence their mobile telephones.

AUD/17/4. 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/17/5. 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/17/6. Central Bedfordshire Council Unaudited Statement of Accounts 2016/17

Members received a presentation on the unaudited Statement of Accounts for 2016/17. The presentation, entitled 'Unaudited Statement of Accounts 2016/17 – Presentation to Members 29/6/2017' was introduced in turn by the Assistant Director of Finance, the Financial Controller and the Head of Financial Control. A concluding summary was provided by the Director of Resources.

Paper copies of the presentation were circulated at the meeting. A copy of the presentation is attached at Appendix A to these minutes.

In addition paper copies of the document entitled 'Extracts from Unaudited Statement of Accounts for the year 2016/17 - Presentation to Members 29/06/2017 – Core Statements and Note 31' were also circulated at the meeting. A copy of the document is attached at Appendix B to these minutes.

Points and comments included:

- the Director of Resources would sign off the draft Statement of Accounts at the end of the meeting. The Council's external auditors, Ernst & Young LLP, would carry out the audit over the summer and the fully audited Statement of Accounts would be submitted to the Audit Committee on 27 September 2017 for approval.
- the statutory deadline for producing the draft Statement of Accounts was currently 30 June. Following changes to the Accounts and Audit Regulations this would be 31 May with effect from the 2017/18 draft Statement (i.e. from 31 May 2018). Central Bedfordshire had used 2017 as a trial for the change and produced the draft Statement of Accounts so that it was ready to sign on 8 June 2017. The experience gained would enable a faster preparation process for 2018.
- new software for the production of the statement of accounts (commonly known as the 'Big Red Button') had been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and trialled by a small number of Councils in 2016/17. Central Bedfordshire was in the first tranche of councils to use it in closing its accounts. The Council had provided a high level of input to the development of the product and had influenced its reporting. Updates by CIPFA should take place later this year for a wider rollout in 2017/18 and it was anticipated that this should help speed up the production of the Statement of Accounts.
- various questions and points of clarification were raised by Members.

In conclusion the Chairman thanked the officers for their presentation.

NOTED

the presentation on the unaudited Statement of Accounts for 2016/17.

AUD/17/7. Annual Audit and Certification Fees 2017/18

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 2017/18 financial year and the related fees.

Points and comments included:

- An explanation by the Director of Resources of the current position regarding the arrangements for the appointment of local auditors as from 2018/19. The Director stated that six different audit companies had been appointed by the Public Sector Audit Appointments Ltd (PSAA) to cover the national area. The largest company was Grant Thornton UK LLP followed by Ernst and Young and then the remainder.

- It had been suggested that, nationally, as a result of the changes to way in which auditors were appointed, there would be an 18% reduction in fees paid by local authorities.

NOTED

the 2017/18 annual audit and certification fees letter to the Chief Executive from Ernst & Young LLP.

AUD/17/8. Annual Governance Statement 2016/17

Members considered a report by the Monitoring Officer which sought Members' approval of the draft Annual Governance Statement for 2016/17. The Committee noted that the Statement, a copy of which was attached at Appendix A to the report, had adopted a new format in line with the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Solace in 2016.

Points and comments included:

- consideration was being given to revising the content of the Statement so that future iterations would be more concise and include assessments rather than be merely descriptive. Members noted that there was no standard format that could be adopted for the Statement.
- the opinion that the draft Statement accurately reflected the governance arrangements and the management of risk within the Council.

RESOLVED

that the draft Annual Governance Statement for 2016/17 be approved for submission to the Leader and Chief Executive to be formally signed off.

AUD/17/9. Annual Counter Fraud Update

The Committee considered a report which provided an update on the work of the Council's Corporate Fraud Investigation Team (CFIT) for 2016/17 and those areas which the CFIT intended to concentrate on over the coming twelve months. The Committee noted that the work programme for the team was jointly developed and delivered by the CFIT and Internal Audit.

Points and comments included:

- the real savings/income of £241,304 for 2016/17 arising from counter fraud work compared with the total cost of the CFIT of £160k demonstrated the value of the team.
- nationally, less than half (45.7%) of councils in England had a corporate counter fraud team tackling non-benefit fraud. In London 93.5% of

councils had a corporate fraud team but only 37.4% of councils in the rest of the country had such a team.

- the publication of the CFIT's successes was subject to decisions by the local media. The sanctions taken against those committing fraud were often quite low and it was the threat of publicity which acted as a greater deterrent.
- at a Member's suggestion the Chairman undertook to contact the Local Government Association and seek their publication of the Central Bedfordshire Council's success in its anti fraud work. The Chairman, on behalf of the Committee, congratulated the CFIT for its successes.
- the possibility of increasing the level of savings by enlarging staffing numbers in the CFIT. The Head of Revenues and Benefits advised that there was limited scope to increase the team's size. He acknowledged that there were cases which required investigation and more referrals were being made to the team, particularly by Housing.
- with regard to those persons who were entitled to benefits but didn't claim the meeting noted that Investigation Officers were therefore able to offer guidance.
- an update on Blue Badge fraud, its possible extent and the number of applications for a badge. The Fraud, Welfare and Partnerships Manager stated that there was an element of education in the response to Blue Badge misuse and no formal action was taken unless it was believed that the misuse had been deliberate.
- care home fees and the obtaining of information from the Probate Office to establish the estate size. The Head of Revenues and Benefits stated that the information was not accessed automatically but only as part of an investigation following allegations of hidden assets. Following a query the Head of Revenues and Benefits undertook to establish how another local authority was able to establish the estate size of one of its residents.

NOTED

the update on the work of the Corporate Fraud Investigation Team for 2016/17 and the main areas of work identified for 2017/18.

AUD/17/10 Local Government Pension Scheme Update

The Committee considered an update on the governance of the Local Government Pension Scheme (LGPS).

Points and comments included:

- the creation of pooled investment vehicles for the England and Wales LGPS was progressing and eight pools had submitted business plans to the government. The Bedfordshire Fund was a member of the Border to Coast Pension Partnership Ltd (BCPP) which had been registered with 12 shareholders reflecting the 12 participating Administering Authorities.
- The initial transfer of assets to the BCPP pool was expected in 2019. Members noted all member Funds had contributed money towards the transfer costs. The Bedfordshire Fund had committed £350k which would be covered by a reduction in management fees. The Vice-Chairman, as a former trustee, offered his thanks to the Head of Financial Control for his work in this area.
- the BCCP would be based in Leeds which had been chosen because of its attractive financial centre and communication advantages.
- the general election had delayed the implementation of further public sector pension and exit payment reforms and it was unclear when the changes would be introduced.
- the Bedfordshire Fund had implemented an investment strategy and benchmark, linked to the Fund's liabilities, that sought to provide less volatile returns compared to those Funds with a greater weighting to equities. At the Bedford Borough Council Pensions Committee on 27 June 2017 the Fund Administrator reported that the market value of the Fund at 31 March 2017 was £2,068m, an increase of £75m since 31 December 2016.

NOTED

the Local Government Pension Scheme update.

AUD/17/11 2016/17 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/17/8 above refers).

Points and comments included:

- a query regarding the unplanned resourcing issues which had affected Internal Audit throughout 2016/17. The Head of Internal Audit and Risk stated that most of these issues had now been resolved.

- the postponement, at the request of the service area, of the review of Section 106 Agreements. The Head of Internal Audit and Risk explained that another review on this issue was being carried out and a second would not be undertaken at the same time. He added that he believed the review was nearing completion.
- a review of the use of the SWIFT Financials software had covered various areas and the overall weaknesses found had resulted in a limited overall opinion. Members noted that a replacement was being sought.

NOTED

that the 2016/17 Internal Audit Annual Audit Opinion is that the Council's Internal Control environment continues, overall, to be adequate.

AUD/17/12 Risk Update Report

The Committee considered a report which provided an overview of the Council's risk position as at June 2017.

Points and comments included:

- whilst the strategic risks had been reconsidered and the key revisions set out for Members' information, operational risks had been omitted from the update pending a more detailed review of the processes.
- Members felt the different layout used made the data easier to read and should possibly be adopted for future reports.
- reference by a Member to a recent outcome of partnership working and that the resulting financial impact suggested that the residual likelihood score relating to strategic risk reference STR0009 (Failure of partnerships as a result of conflicting priorities etc) should be increased rather than revised down despite the mitigating actions set out. The Director of Resources undertook to include this matter for discussion within the ongoing review of risk management activities.
- the need to monitor the operation of EU General Data Protection Regulation which, once enforceable, could lead to fines of up to £37m for non compliance. It was noted that the Regulation was far stronger than the current Data Protection Act. The Head of Internal Audit and Risk stated that the impact of the new Regulation was being considered within the Council.

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 Director of Resources.

AUD/17/13.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.

NOTED

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

AUD/17/14.Work Programme

Members considered a report which set out the Committee’s work programme.

RESOLVED

- 1 that the proposed Audit Committee work programme for 27 September 2017 and 8 January 2018, as attached at Appendix A of the report of the Committee Services Officer, be approved subject to resolution 2 below;**
- 2 that the Chief Information Officer be requested to submit a report, if possible, on the impact etc of the EU General Data Protection Regulation to the next meeting of the Committee on 27 September.**

(Note: The meeting commenced at 10.00 a.m. and concluded at 12.06 p.m..)

Chairman

Dated



Unaudited Statement of Accounts 2016/17

Presentation to Members 29/6/2017

Charles Warboys, Director of Resources

Denis Galvin, Assistant Director of Finance

Ralph Gould, Head of Financial Control

Stephanie Pocock, Financial Controller

Agenda

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

Denis Galvin

Assistant Director of Finance

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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

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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 - £20.0m reported to the Council as Expenditure by services (15/16 £19.6m) - Note 41
- **Replaced with** – Current Service Cost – employment benefits charged in the Net Cost of Services – as calculated under International Accounting Standard 19 (IAS 19) £19.3m (15/16 £22.6m) £3.3m (14.6%) decrease - explained later in the presentation.
- If not removed through the Movement in Reserves Statement, a positive impact on the General Fund (i.e. Council Tax) of £0.7m

Other Examples

- Expenditure and Funding Analysis statement and associated notes - effectively the Council's management Accounts agreed to the Statement of Accounts
- Note 9 'Adjustments between Accounting Basis and Funding Basis under Regulations'
- 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 – not part of the Statements so not covered by audit opinion – but is examined
- Main Statements – statutory requirement to follow best practice – ‘The Code’
 - Expenditure and Funding Analysis – new this year, aims to show the movement between figures reported during the year and the financial statements
 - Comprehensive Income and Expenditure
 - Movement in Reserves
 - Balance Sheet
 - Cash Flow
- Notes to the Accounts – 45 Notes

Overview of the document

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

Stephanie Pocock

Financial Controller

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Commentary on the statements

Handout

Expenditure and Funding Analysis

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

Employee Remuneration Note 31



Reserves

- General Fund
- Revaluation
- Pensions

Assets and Liabilities

Assets

- Property, Plant & Equipment (PPE)
- Debtors
- Cash / Short-term investments

Liabilities

- Borrowing – long and short- term
- Pensions
- Creditors

Usable Reserves

	31/03/2016	31/03/2017	(Increase)/ Reduction	SoA
	£'000	£'000	£'000	Note
General Fund Balance	(15,517)	(15,569)	(52)	MIRS
General Fund Earmarked Reserves	(44,395)	(54,442)	(10,047)	10
HRA Balance	(2,000)	(2,000)	0	HRA Pg 115
HRA Earmarked Reserve	(17,252)	(21,571)	(4,319)	10
HRA Major Repairs Reserve	(200)	(200)	0	HRA Pg 115
Capital Receipts Reserve	(2,996)	(6,474)	(3,478)	23
Capital Grants Unapplied Reserve	(3,260)	(2,459)	800	23
Total Usable Reserves	(85,619)	(102,715)	(17,096)	

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

	31/03/2016	31/03/2017	(Increase)/ Reduction*	SoA
	£'000	£'000	£'000	Note 24
Revaluation Reserve	(180,575)	(236,580)	(56,005)	
Available for Sale Reserve	(150)	(279)	(129)	
Pension Reserve (*Debit Reserve)	320,562	416,484	95,922	
Capital Adjustment Account	(550,790)	(526,041)	24,749	
Collection Fund Adjustment Account	(2,780)	(1,814)	966	
Short Term Accumulated Absences (*Debit Reserve)	2,008	2,563	555	
Total Unusable Reserves	(411,773)	(345,667)	66,106	
Total Usable Reserves	(85,619)	(102,715)	(17,096)	
Total Reserves	(497,392)	(448,382)	49,010	

Comprehensive Income and Expenditure

	2015/16		2016/17		Net
	Expenditure	Income	Expenditure	Income	
	£000	£000	£000	£000	£000
	511,495	(311,589)	548,328	(322,110)	226,218
	14,460	0	15,446	0	15,446
	36,499	(13,860)	36,842	(15,535)	21,307
	11,889	(253,154)	11,046	(250,786)	(239,741)
	574,343	(578,603)	611,662	(588,432)	23,230
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	(78,715)	Surplus or deficit on revaluation of Property, Plant and Equipment			(59,134)
	(147)	Surplus or deficit on revaluation of available for sale financial assets			(128)
	(74,176)	Remeasurement of the net defined benefit liability / asset			85,042
	(153,037)	Other Comprehensive Income and Expenditure			25,780
	(157,297)	Total Comprehensive Income and Expenditure			49,010

Where the money comes from IFRS

Central Bedfordshire Council Comprehensive Income and Expenditure	2015/16 £000	2016/17 £000	
Income			
Specific Revenue Grants	208,940	217,005	38.10%
Council Tax	136,616	142,800	25.07%
Fees, Charges and Rents	106,643	112,459	19.74%
RSG (Government Grants)	30,072	20,152	3.54%
Business Rates net of Levy and Tariff	28,010	31,204	5.48%
Other non ring fenced grants	4,024	3,997	0.70%
Interest Income	357	353	0.06%
Capital Grants and Contributions	42,543	41,588	7.30%
	557,205	569,558	100.00%

Assets

	31/03/2016 £'000	31/03/2017 £'000	Increase/ (Reduction) £'000	SoA Note
Property, Plant & Equipment	1,193,334	1,269,878	76,544	14
Intangible Assets	8,670	12,185	3,515	15
Long Term Investments	5,150	5,279	128	16
Long Term Debtors	549	491	(58)	16
Long Term Assets	1,207,703	1,287,833	80,130	
Short Term Investments	564	1,007	443	16
Assets Held for Sale	173	6	(167)	20
Inventories	98	90	(7)	
Short Term Debtors	54,700	44,726	(9,974)	18
Cash and Cash Equivalents	409	4,263	3,854	19
Current Assets	55,944	50,093	(5,851)	
Total Assets	1,263,646	1,337,926	74,279	

Long Term Investments - Lime Fund
Short Term Investments - Deposits at 3 months Notice

Liabilities

	31/03/2016	31/03/2017	(Increase)/ Reduction	SoA
	£'000	£'000	£'000	Note
Short Term Borrowing	(63,683)	(73,430)	(9,747)	16
Short Term Creditors	(48,071)	(59,791)	(11,720)	21
Provisions	(5,677)	(6,101)	(423)	22
Current Liabilities	(117,431)	(139,321)	(21,890)	
Long Term Borrowing	(274,146)	(274,279)	(133)	16
Private Finance Initiative - Long Term	(15,252)	(16,532)	(1,280)	
Net Liability Pensions	(320,562)	(416,484)	(95,922)	39
Capital Grants received in advance	(38,863)	(42,927)	(4,064)	34
Long Term Liabilities	(648,823)	(750,222)	(101,399)	
Total Liabilities	(766,254)	(889,543)	(123,289)	
Total Assets	1,263,646	1,337,926	74,279	
Net Assets	497,393	448,382	(49,010)	

Supplementary Statements

- Collection Fund – pages 110 - 114
- HRA Account – pages 115 - 117

Housing Revenue Account

- Benefiting from low interest rates
- Reserving for and funding independent living schemes and strategic priorities Cap Exp £11.4m (£17.6m15/16)
- Accounting follows Communities and Local Government – Accounting Directions and related restrictions

Collection Fund

- Total Surplus position on Council Tax from £0.5m (13/14), £3.5m (14/15), £7.3m (15/16) to £4.4m (CBC share £3.7m)
- Business rate position Deficit reflecting new reliefs, valuation appeals and refunds. Deficit of £6.3m (13/14) £6.1m (14/15), £7.2m (15/16) now £3.9m (CBC share £1.9m)

Other Items: Remuneration Note 31

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

	2014/15	2015/16	2016/17
Permanent	181	191	197

- The figures exclude members of the Corporate Management Team, who are disclosed individually.
- Teaching and non-teaching staff received pay award in 2016/17. The increase in permanent numbers paid over £50k was evenly split between schools and other staff.
- The contracts of 38 staff (68 in 15/16) were terminated in year with £673k (£778k in 15/16) paid as redundancy costs. Note 39

Ralph Gould

Head of Financial Control

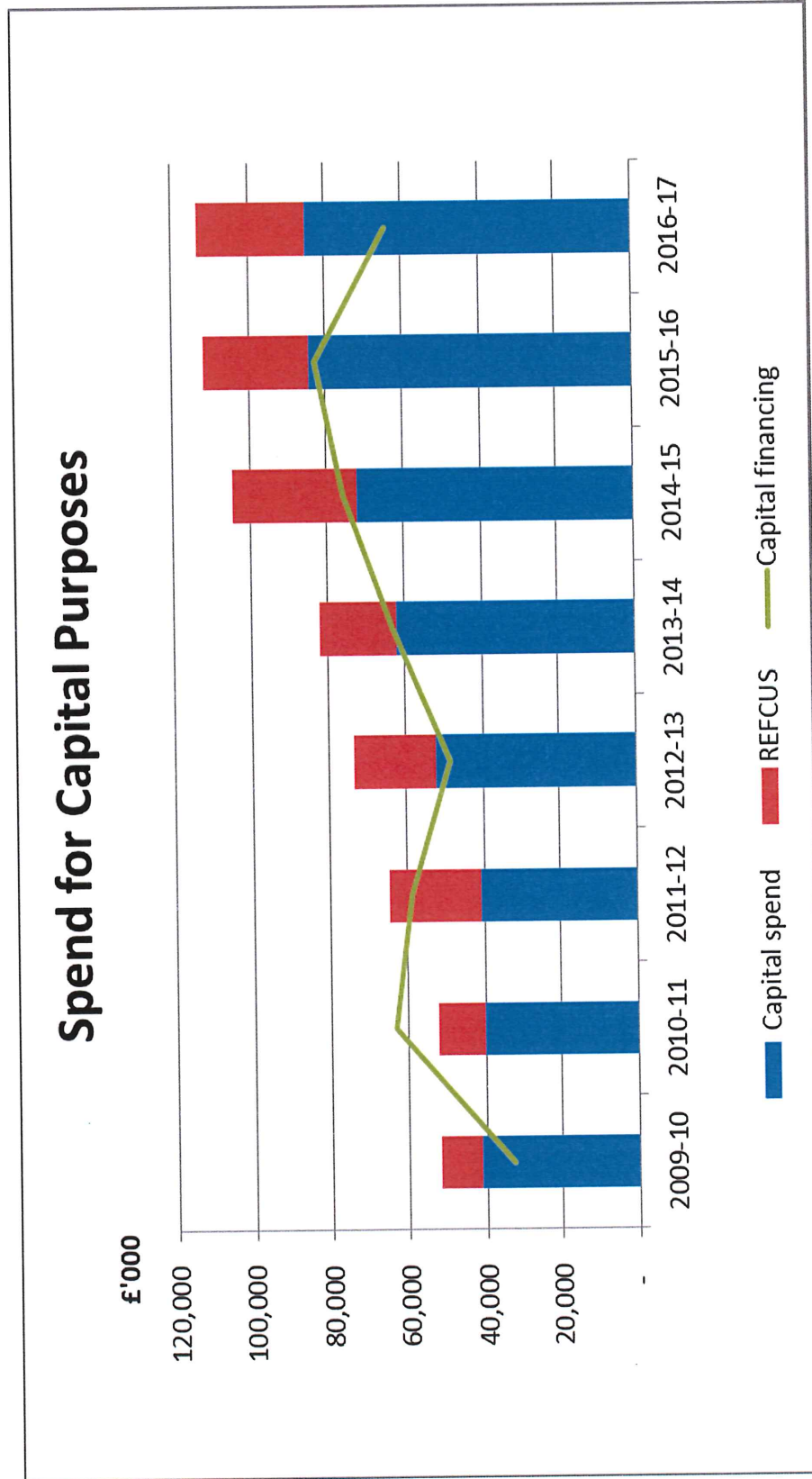
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Capital Expenditure and Borrowing Requirement

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2009-2017
	£'000	£'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	83,882	472,126
Investment properties	-	-	97	84	101	335	-	-	617
Intangible assets	-	1,369	1,415	527	228	784	315	1,050	5,688
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	10,619	12,103	23,890	21,085	19,773	32,241	27,506	28,275	175,492
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	113,207	
<i>memo line Adjusted for HRA Financing</i>	51,850	52,345	64,762	73,411	82,064	104,533	111,751	113,207	653,923
Sources of finance:									
Capital receipts	(1,490)	(29,826)	(3,780)	(3,665)	(2,851)	(1,636)	(5,081)	(10,268)	(58,597)
Government grants and other contributions	(25,514)	(24,722)	(41,808)	(38,481)	(44,564)	(52,415)	(52,863)	(42,388)	(322,755)
Major Repairs Allowance			(3,805)	0	(6,569)	(3,597)	(3,946)	(4,567)	(22,484)
Surplus set aside from revenue:									
Direct revenue contributions	(702)	(1,502)	(1,288)	(528)	(2,256)	(10,900)	(12,103)	(5,698)	(34,977)
Minimum Revenue Provision (MRP) / PFI principal	(4,473)	(7,025)	(5,534)	(5,874)	(7,074)	(7,250)	(8,867)	(1,648)	(47,745)
Other Movements	(549)	(227)	(2,778)					(3,554)	(3,554)
Total Financing in year	(32,728)	(63,302)	(58,993)	(48,548)	(63,314)	(75,798)	(82,860)	(64,569)	(490,112)
Closing Capital Financing Requirement	211,419	200,516	370,942	399,434	418,184	446,920	475,811	524,446	
Increase/(decrease) in Capital Financing Requirement	19,122	-10,957	170,764	24,863	18,750	28,735	28,891	48,638	328,806
									163,811
									Cumulative borrowing need ex HRA 2009/17

Low Interest Rates

- The Council's capital financing requirement (need to borrow) has increased in the financial year (£48.6m), 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.

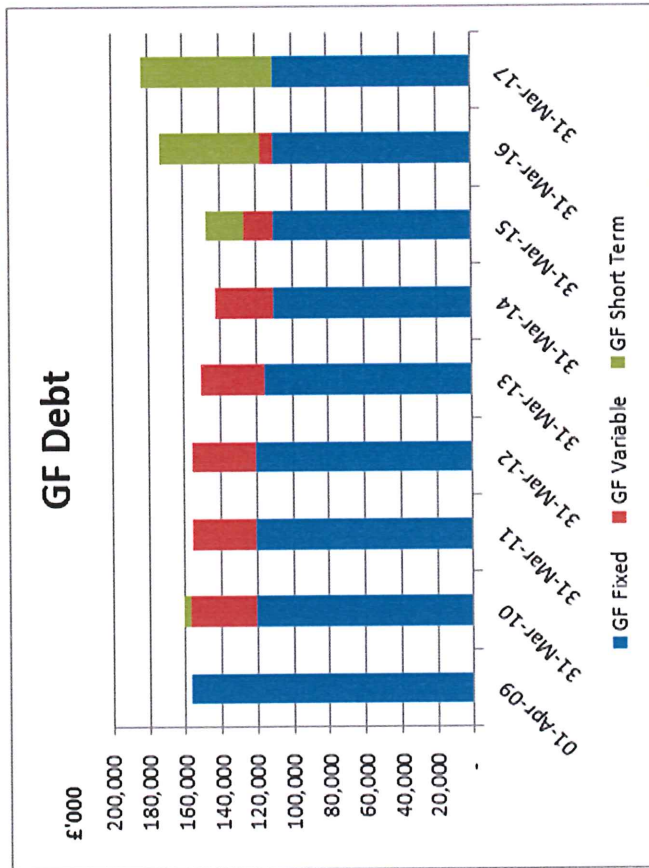
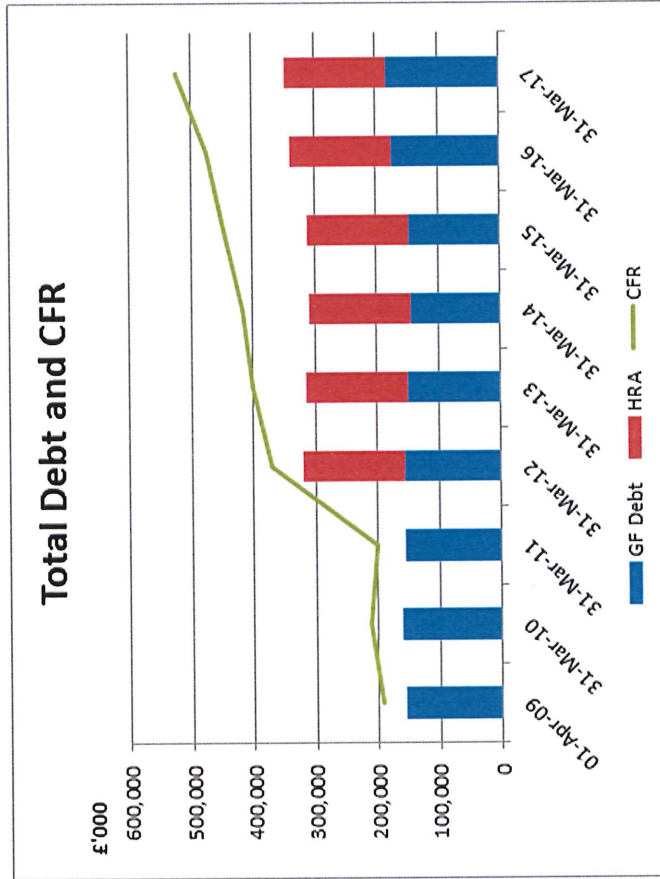


Total Borrowing as at 31st March 2017

	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	3.98%
Variable	-		45,000	0.57%	45,000	0.57%
Short-term	72,280	0.34%	0	-	72,280	0.34%
Total*	182,845	3.98%	165,000	2.41%	347,845	3.08%

* Total Debt value on SOA includes accrued Interest payable

Debt Since 2009



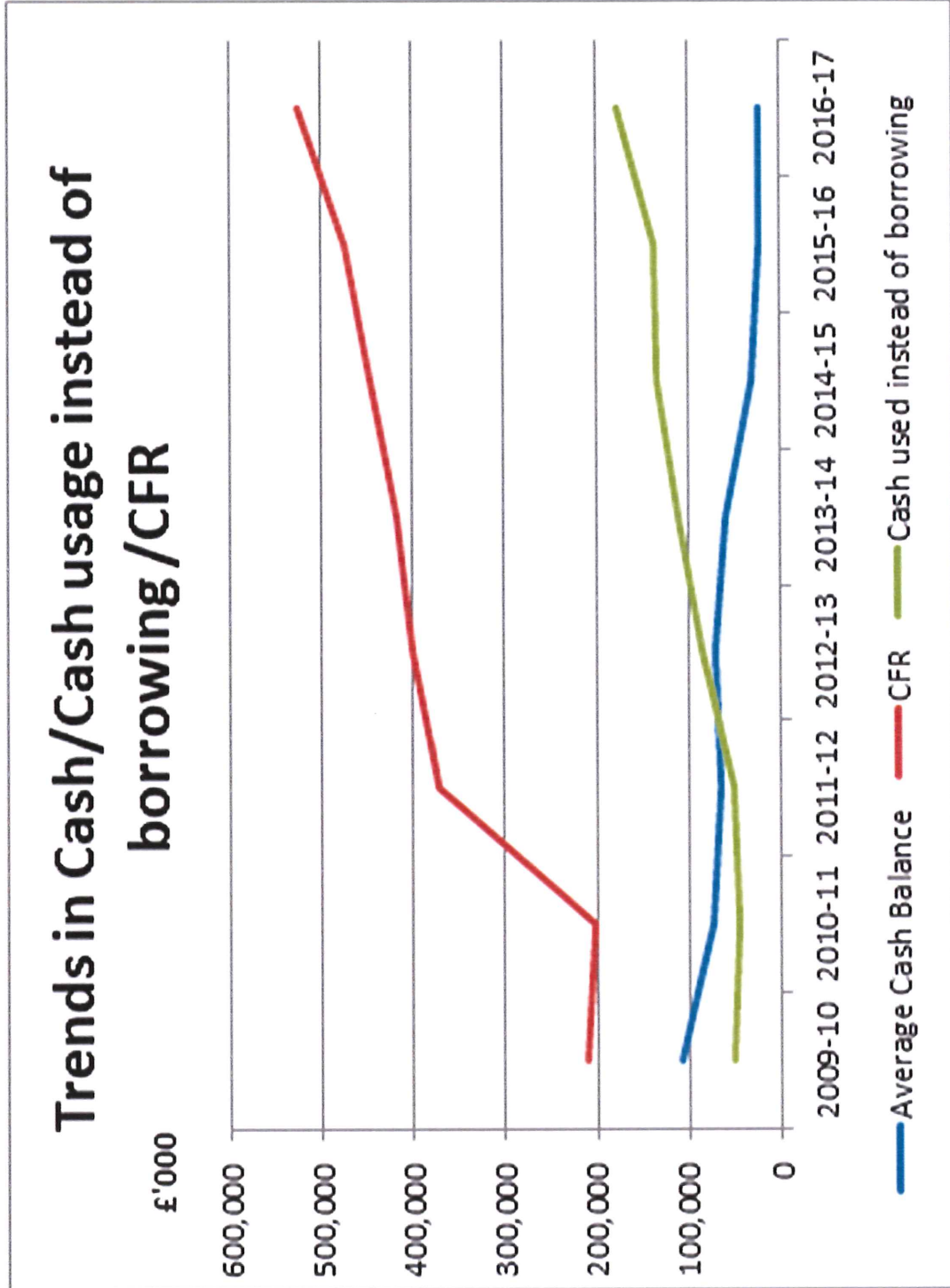
CBC Debt

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
2016-17	347,840	417,881

Interest costs

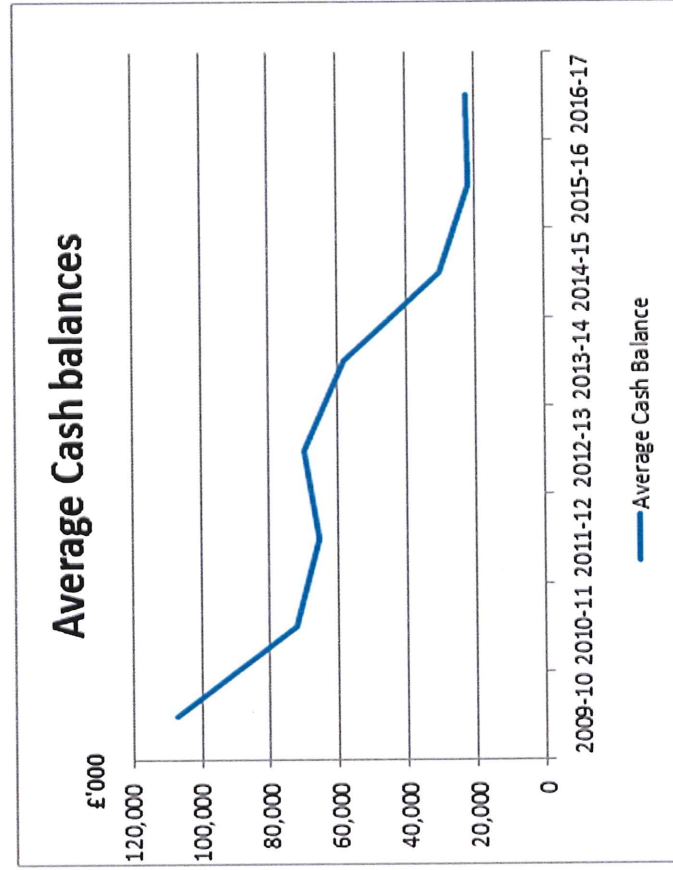
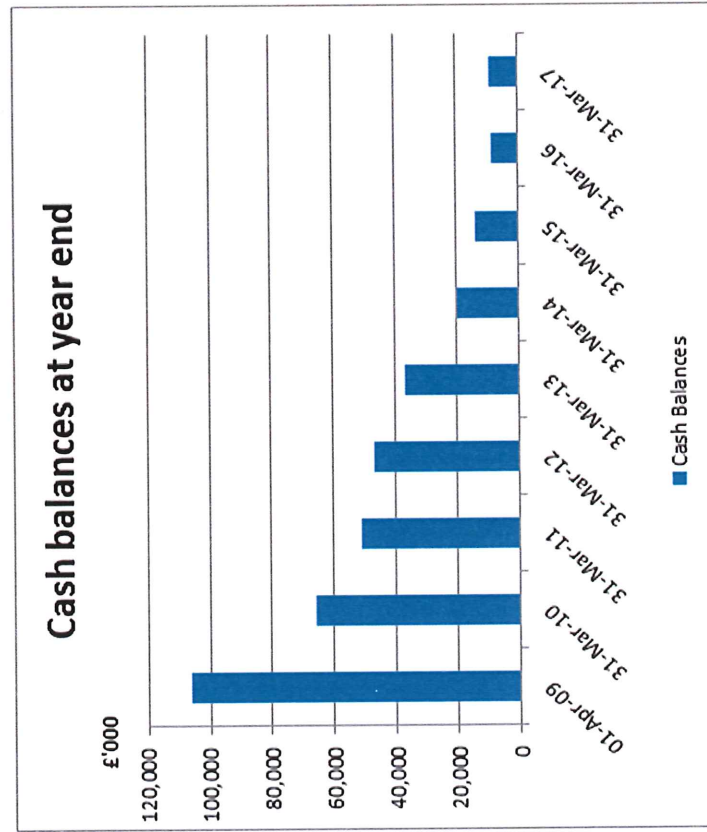
	GF £'000	HRA £'000
2009-10	6,971	-
2010-11	5,680	-
2011-12*	5,688	44
2012-13	5,637	3,977
2013-14	5,727	3,968
2014-15	5,267	4,013
2015-16	5,247	4,034
2016-17	5,025	3,975
* HRA debt taken 28th March 2012 interest payable for 4 Days		



Investment balances since 2009

(Excluding Lime Fund)

Includes schools balances from 20th November 2014



Investment Return since 2009

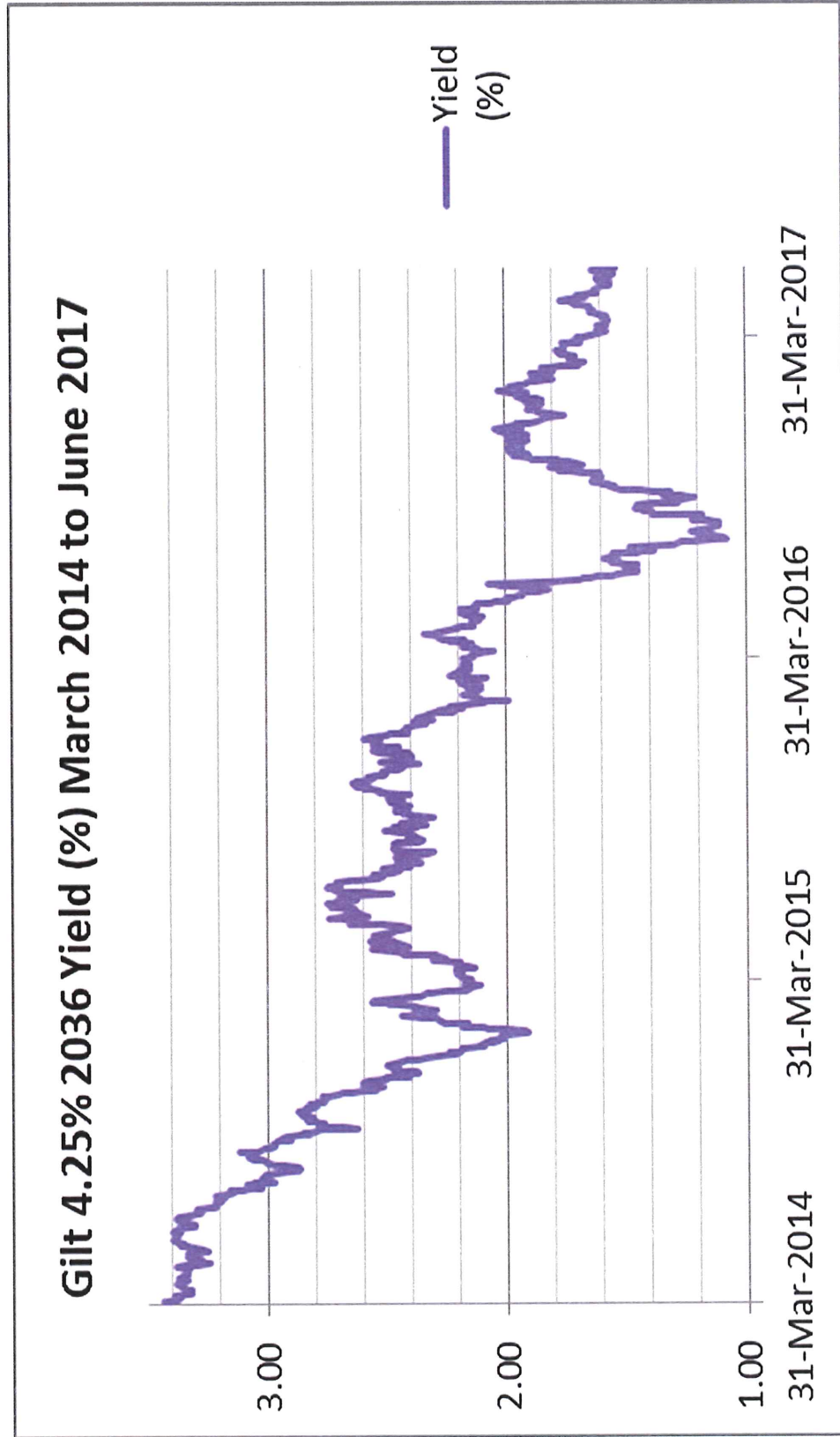
(Ex Lime Fund)

	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%
2016-17	22,438	96	0.43%

LGPS Pension Scheme Deficits

- Council's largest liability at £416.4m an increase of £96m 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



Discount Rate Pensions

	31/3/10	31/3/11	31/3/12	31/3/13	31/3/14	31/3/15	31/3/16	31/3/17
Discount Rate	5.5%	5.5%	4.8%	4.5%	4.2%	3.2%	3.5%	2.6%
	£M	£M	£M	£M	£M	£M	£M	£M
Liabilities	(678.4)	(533.5)	(581.8)	(669.5)	(684.4)	(802.3)	(747.7)	(917.4)
Assets	352.1	336.2	332.2	365.7	377.2	422.7	427.1	500.9
Deficit	326.3	197.3	249.6	303.8	307.2	379.6	320.6	416.5
Funding level	52%	63%	57%	55%	55%	53%	57%	55%

Pensions

- Assets and Liabilities follows IAS 19

	2013/14	2014/15	2015/16	2016/17	Change 15/16 – 16/17
Liabilities	(£684m)	(£802m)	(£748m)	(£918m)	£170m (23%)
Assets	£377m	£423m	£427m	£501m	£74m (17%)
Net Deficit	(£307m)	(£379m)	(£321m)	(£417m)	£96m (30%)
Assets as % Liabilities IAS 19	55.1%	52.7%	57.1%	54.6%	

- Actual Contribution rates follow triennial fund valuation different basis used 31 March 2016 Liabilities £639m (£550m 2013) Assets £422m (£361m) **Deficit £217m 66% Funded (£189m 66%)**

Charles Warboys

Director of Resources

41

Changes

- The statutory deadline for producing the accounts is currently 30 June 2017. Under changes to the Accounts and Audit Regulations 2015 this has changed to 31 May, effective from 2017/18 SoA (i.e. 31 May 2018).
 - Used this year as a trial and produced the accounts in a faster period than previous years, a draft ready to sign 8 June 2017.
 - Learnt lessons for next year that will enable even faster close process.
- The Local Audit (Public Access to Documents) Act 2017 received Royal Assent on 27 April 2017 and is now law, coming into force on 27 June 2017. This extends Public Rights (which includes the rights of objection, inspection of the local authority accounting documentation and questioning of the external auditor with regard to the Statement of Accounts) to journalists as ‘interested parties’.

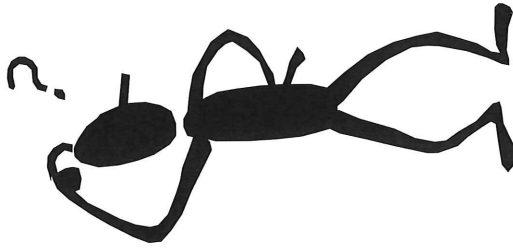
Conclusion and Next Steps

- 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 during July
- Public Inspection Period 30th June to – 10th August (30 working days)
- The final accounts will be approved by Audit Committee in September

Any Questions?



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Appendix B

Central Bedfordshire Council
www.centralbedfordshire.gov.uk



Extracts from Unaudited Statement of Accounts for the year 2016/17

Presentation to Members
29/06/2017

Core Statements and Note 31

Expenditure and Funding Analysis

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

Officers' Remuneration – Note 31

Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund and HRA	2015/16		Net Expenditure in the Comprehensive Income and Expenditure Statement	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£000	£000	£000	£000	£000	£000	£000
68,996	3,571	72,477	Social Care, Health & Housing	75,654	(308)	75,346
55,054	838	55,892	Children's Services	54,378	1,486	55,864
42,682	36,135	78,817	Community Services	45,977	18,937	64,913
7,100	3,857	10,957	Regeneration & Business Support	6,247	3,684	9,931
(53)	24	(29)	Public Health	(187)	(13)	(201)
8,333	1,345	9,441	Chief Executives	7,790	1,359	9,148
8,532	1,101	9,302	Resources	11,490	(115)	11,375
3,620	(10,701)	(6,991)	Corporate Costs	2,792	(12,730)	(9,938)
(15,447)	21,875	6,428	Schools	(18,212)	23,722	5,510
(2,876)	(33,510)	(36,386)	Landlord Business (HRA)	(8,242)	12,511	4,269
175,941	24,535	199,906	Net Cost of Services	177,685	48,532	226,217
(176,289)	(28,446)	(204,166)	Other Income and Expenditure	(177,737)	(25,250)	(202,987)
(349)	(3,911)	(4,260)	(Surplus) / Deficit on Provision of Services	(52)	23,282	23,230
(78,774)			Opening Combined General Fund and HRA Balance	(79,164)		
(349)			Plus / less (Surplus) or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	(52)		
(41)			Transfers (to) / from other Reserves	(14,366)		
(79,164)			Closing Combined General Fund and HRA Balance	(93,582)		

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 Restated			2016/17		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
100,532	(28,055)	72,477	103,622	(28,276)	75,346
84,739	(28,847)	55,892	84,951	(29,088)	55,863
92,603	(13,787)	78,816	80,581	(15,667)	64,914
16,155	(5,199)	10,956	17,205	(7,274)	9,931
15,826	(15,855)	(29)	17,753	(17,953)	(200)
9,476	(35)	9,441	10,851	(1,702)	9,149
78,412	(69,110)	9,302	78,779	(67,405)	11,374
2,138	(9,129)	(6,991)	2,492	(12,430)	(9,938)
119,273	(112,846)	6,427	118,187	(112,677)	5,510
(7,659)	(28,727)	(36,386)	33,907	(29,639)	4,268
511,495	(311,589)	199,906	548,328	(322,110)	226,218
14,460	0	14,460	15,446	0	15,446
36,499	(13,860)	22,639	36,842	(15,535)	21,307
11,889	(253,154)	(241,265)	11,046	(250,786)	(239,741)
574,343	(578,603)	(4,260)	611,662	(588,432)	23,230
		(78,715)			(59,134)
		(147)			(128)
		(74,176)			85,042
		(153,037)			25,780
		(157,297)			49,010

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.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016	(15,517)	(44,395)	(2,000)	(17,252)	(2,996)	(200)	(3,260)	(85,619)	(411,773)	(497,392)
Movement in reserves during 2016/17										
(Surplus) / deficit on the provision of services	20,130		3,101					23,230		23,230
Other Comprehensive Income / Expenditure									25,780	25,780
Total Comprehensive Income and Expenditure	20,130	0	3,101	0	0	0	0	23,230	25,780	49,010
Adjustments between accounting basis and funding basis under regulations	(30,229)		(7,419)		(3,478)	0	800	(40,326)	40,326	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(10,099)	0	(4,319)	0	(3,478)	0	800	(17,096)	66,106	49,010
Transfers (to) / from Earmarked Reserves	10,047	(10,047)	4,319	(4,319)				0		0
(Increase) / Decrease in 2016/17	(52)	(10,047)	0	(4,319)	(3,478)	0	800	(17,096)	66,106	49,010
Balance at 31 March 2017	(15,569)	(54,442)	(2,000)	(21,571)	(6,474)	(200)	(2,459)	(102,715)	(345,668)	(448,382)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	(15,167)	(43,250)	(2,000)	(18,357)	(3,451)	(200)	(13,580)	(96,005)	(244,094)	(340,099)
Movement in reserves during 2015/16										
(Surplus) / deficit on the provision of services	29,437		(33,697)					(4,260)		(4,260)
Other Comprehensive Income / Expenditure									(153,034)	(153,034)
Total Comprehensive Income and Expenditure	29,437	0	(33,697)	0	0	0	10,320	(4,260)	(153,034)	(157,294)
Adjustments between accounting basis and funding basis under regulations	(30,930)		34,801			0		14,646	(14,646)	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(1,493)	0	1,104	0	455	0	10,320	10,386	(167,680)	(157,294)
Transfers (to) / from Earmarked Reserves	1,144	(1,144)	(1,104)	1,104				0		0
Increase or Decrease in 2015/16	(349)	(1,144)	0	1,104	455	0	10,320	10,386	(167,680)	(157,294)
Balance at 31 March 2016	(15,516)	(44,394)	(2,000)	(17,253)	(2,996)	(200)	(3,260)	(85,619)	(411,774)	(497,393)

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 to 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 2016	£'000	31 March 2017	£'000
1,193,334	Property, Plant and Equipment	1,269,878	
8,670	Intangible Assets	12,185	
5,150	Long Term Investments	5,279	
549	Long Term Debtors	491	
1,207,703	Long Term Assets	1,287,833	
564	Short-term Investments	1,007	
173	Assets Held for Sale	6	
98	Inventories	90	
54,700	Short Term Debtors	44,726	
409	Cash and Cash Equivalents	4,263	
55,944	Current Assets	50,093	
(63,683)	Short-Term Borrowing	(73,430)	
(48,071)	Short-Term Creditors	(59,791)	
(5,677)	Provisions	(6,101)	
(117,431)	Current Liabilities	(139,321)	
(274,146)	Long Term Borrowing	(274,279)	
(335,814)	Other Long-Term Liabilities	(433,016)	
(38,863)	Grants Receipts in Advance - Capital	(42,927)	
(648,823)	Long Term Liabilities	(750,222)	
497,393	Net Assets	448,382	
(85,619)	Usable Reserves	(102,715)	
(411,774)	Unusable Reserves	(345,668)	
(497,393)	Total Reserves	(448,382)	

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.

2015/16	£	2016/17	£
(4,260)	Net (surplus) / deficit on the provision of services	23,230	
(45,959)	Adjustment to (surplus) / deficit on the provision of services for noncash movements	(89,110)	
37,116	* Adjustment for items included in the net (surplus) / deficit on the provision of services that are investing or financing activities	55,851	
(13,103)	Net cash flows from operating activities	(10,029)	
37,516	* Net cash flows from investing activities	17,026	
(23,023)	Net cash flows from financing activities	(10,852)	
1,390	Net (increase) or decrease in cash and cash equivalents	(3,854)	
1,799	Cash and cash equivalents at the beginning of the reporting period	409	
409	Cash and cash equivalents at the end of the reporting period	4,263	

* To conform with CIPFA's Code of Practice, interest has been included in Net Operating Activities instead of Investing Activities in 2016/17 although the figures for 2015/16 have been left unchanged from last year's published accounts.

Deb Broadbent-Clarke - Director of Improvement & Corporate Services left the Council on 30th June 2016.
 Charles Warboys – Director of Resources was appointed to this new position on 1st October 2016, having previously been the Chief Finance Officer.
 Muriel Scott - Director of Public Health is funded by Central Bedfordshire Council, Bedford Borough Council and Milton Keynes Council. Central Bedfordshire Council's element is a total remuneration of £52,671.
 There were no other payments in either year to Senior Officers in relation to bonuses.

Senior Employees Remuneration

	2015/16	2016/17
£50,001 to £55,000	63	51
£55,001 to £60,000	40	58
£60,001 to £65,000	33	36
£65,001 to £70,000	26	21
£70,001 to £75,000	6	8
£75,001 to £80,000	5	6
£80,001 to £85,000	4	3
£85,001 to £90,000	6	6
£90,001 to £95,000	4	1
£95,001 to £100,000	2	4
£100,001 to £105,000	2	3
Total	191	197

The above 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).

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0-£20,000	35	22	18	5	53	27	319,000	116,000
£20,001 - £40,000	6	6	7	0	13	6	329,000	155,000
£40,001 - £60,000	0	1	0	1	0	2	0	90,000
£60,001 - £200,000	1	1	1	2	2	3	130,000	312,000
Total	42	30	26	8	68	38	778,000	673,000

The table above 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 includes all benefits on termination, e.g., redundancy, pay in lieu of notice, severance and actuarial strain.

Central Bedfordshire Council

Audit Committee

27 September 2017

External Audit Results Report 2016/17

Report of Ernst & Young LLP

Neil Harris, Executive Director

Purpose of this report

To consider a report from Ernst & Young LLP which sets out the outcomes from the external audit of the Council's 2016/17 financial statements and the conclusion of work to review the Council's arrangements for securing value for money in the use of its resources. The report also sets out Ernst and Young's proposed audit opinion, key findings and any recommendations to consider prior to the approval of the 2016/17 accounts.

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Central Bedfordshire
Council
Audit results report

Year ended 31 March 2017



Private and Confidential

27 September 2017

Dear Audit Committee Members

We have substantially completed our audit of Central Bedfordshire Council (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 03, before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Neil Harris

Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money

06 Other Reporting Issues

07 Assessment of Control Environment

08 Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

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

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit Committee, other members of the Authority and management of Central Bedfordshire Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, other members of the Authority and management of Central Bedfordshire Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, other members of the Authority and management of Central Bedfordshire Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01 Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan issued on 7 December 2016, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £11.1 million. We reassessed this using the actual year-end figures, which has increased this amount to £11.7 million. The threshold for reporting audit differences has increased from £558,000 to £585,701. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits, where we reviewed a sample of payments, irrespective of value;
- Related party transactions, where we reviewed the Council's processes for identifying and disclosing such transactions; and
- Members' allowances, where we carried out a reasonableness assessment of the amount disclosed.

Status of the audit

We have substantially completed our audit of Central Bedfordshire Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 03. However until work is complete, further amendments may arise:

- Clearance of final queries
- Review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter



Executive Summary

Executive summary (continued)

Status of the audit (continued)

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

There are no unadjusted audit differences arising from our audit.
We have agreed amendments to disclosure notes with management.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Central Bedfordshire Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.



Executive Summary

Executive summary (continued)

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified a significant risk related to the financial pressures facing the Council's medium and longer term plans.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work to date but note we have not yet seen the Head of Internal Audit Opinion. We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Control observations

We have not identified any significant deficiencies in the design of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. We have adopted a fully substantive approach, so have not tested the operation of controls.

We have identified two areas for consideration by the Council. Further detail is in section 07 Assessment of the Control Environment.

- Expenditure and funding analysis – we were able to agree the disclosure per the financial statements at a high level but the Council may wish to consider the link between the EFA and its outturn reporting such that the two are more closely aligned.
- Valuations – the Council currently instructs the valuer to prepare a valuation at the 1 April and an impairment review is then carried out to determine whether there have been any material movements in valuation in the period to 31 March. We recommend the Council consider amending their instruction to the valuer to provide the detailed valuation at a date later in the year such that any movement in valuation between the valuation date and the year end is minimised.

Independence

Please refer to Appendix B for our update on Independence.





02 Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach: Key issue: *Revenue and expenditure recognition*

Revenue and Expenditure Recognition

What are our conclusions?


Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

What is the risk?

Risk of fraud in revenue recognition
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

 In Audit Report

 Significant Risk

What did we do?

- We reviewed and tested revenue recognition policies;
- We identified key accounting estimates most susceptible to management bias. This included estimates related to valuation and depreciation of property, plant and equipment, pension liabilities and the business rates appeals provision. We evaluated the judgments and decisions made by management in making the accounting estimate, including, where relevant, their reliance on specialists. We concluded that the bases of the estimates examined were reasonable;
- We developed a strategy for testing material revenue and expenditure streams. We tested a sample of revenue and expenditure items to supporting documentation and
- Undertook cut-off procedures around the year-end date to ensure transactions were allocated to the correct financial year.



Areas of Audit Focus

Audit issues and approach: Key issue: *Management Override*

Management override

What are our conclusions?


We have not identified any material weaknesses in controls or evidence of material management override.


We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

What is the risk?

Risk of management override
As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

 In Audit Report

 Significant Risk

What did we do?

- We obtained a full list of journals posted to the general ledger during the year, and analysed them to identify any unusual journal types or amounts. We then tested a sample of these journals and tested them to supporting documentation;
- We identified key accounting estimates most susceptible to management bias and concluded that the bases of the estimates examined were reasonable; and
- We did not identify any significant unusual transactions.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

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

Opinion on the Authority's financial statements

We have audited the financial statements of Central Bedfordshire Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Comprehensive Income and Expenditure Statement,
- Authority Movement in Reserves Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement,
- Related notes 1 to 45,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement and related notes HRA 1 to HRA 8; and
- Collection Fund and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Central Bedfordshire Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 21, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements (continued)

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Central Bedfordshire Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Draft audit report (continued)

Our opinion on the financial statements (continued)

Conclusion on Central Bedfordshire Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Central Bedfordshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Central Bedfordshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Central Bedfordshire Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Central Bedfordshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Central Bedfordshire Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



04 Audit Differences



Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We include all known amounts greater than £8.7 million relating to Central Bedfordshire Council.

We considered the valuation of property, plant and equipment. In doing so, we:

- Reviewed the valuation report and supporting schedules provided by the Council's external valuer
- Reviewed the methodology adopted by the valuer
- Compared the indexation applied to the valuation supplied by the valuer as at 1 April 2016, to adjust for any material market movements to 31 March 2017, to industry valuation trends
- Consulted with EY valuation experts, as required, as to the appropriateness of the indices applied by the Council

Based on these procedures, we discussed with the Council the level of indexation applied to Council dwellings. We agreed the reflection of a 10% indexation would more accurately reflect the movement in the market, based on a range of industry data from both the Council's external valuer and other available industry trends. We also consulted internally with EY valuation experts. This has led to a material change of £40m which is reflected in Note 14 of the financial statements.

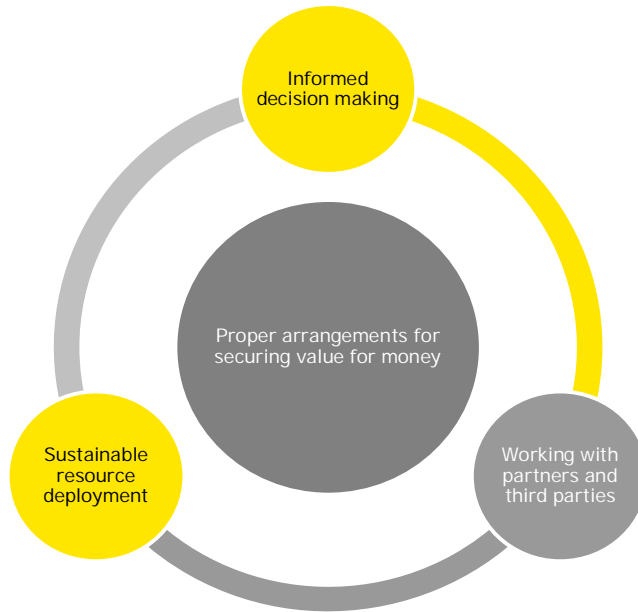
There were no other uncorrected misstatements.



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified one significant risk around these arrangements. The table below present our findings in response to the risks in our Audit Plan.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: *“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Plan.

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
<p>Sustainability and Transformation Plans (STPs) give local NHS organisations and councils the opportunity to work together to improve the way health and social care is designed and delivered. The Bedford, Luton and Milton Keynes (BLMK) footprint encompasses 16 partners; and covers almost 1 million people with hugely diverse populations across areas. The partners have focussed on refining BLMK’s 5 STP priorities, including planning and resourcing how changes will be implemented. The Plan recognises that there will be system-wide demand and financial pressures over the next five years, resulting in a consolidated BLMK deficit in 2020/21 of £311m. It also notes that:</p> <ul style="list-style-type: none"> • BLMK’s recurrent annual NHS deficit rises to £203m per annum by 2020/21. • A further recurrent deficit, estimated at £108m per annum, would need to be added as a result of unavoidable cost pressures surfacing in Council health and social care budgets which are not recovered. 	<p>Deploying resources in a sustainable manner</p>	<p>We are satisfied that the Council had sound arrangements in place for working with its STP partners to develop governance arrangements and that it has engaged fully with the STP process. The Council, with the STP is now finalising the governance arrangements that will allow it to move to a delivery model and demonstrate how the STP can contribute to the financial sustainability of the Council in the context of the STP footprint. BLMK is one of the eight STPs in the first wave Accountable Care Systems. As it moves to a delivery model, the STP is continuing to review how the governance structures will work in practice and how they will need to evolve.</p> <p>A key challenge for STPs is the need to foster good working relationships between partners and evidence from the Council is that improving relationships have allowed opportunities for chief executives, finance and governance leads to more effectively share good practices. The Chief Executive Group has been pivotal in allowing the STP partners to engage with each other and to promote this engagement throughout their organisations, and this is now permeating down to the Director of Finance group and to Chairs/Political leaders. The STP has also agreed a dedicated resource for clinical engagement. Increasing this collaboration with all stakeholders will facilitate management of the whole system. Difficult discussions and decisions will be required in the future; and the Council is working with its partners to develop robust governance arrangements to support this.</p> <p>The Council and its BLMK partners, as with other STPs, have further challenges to overcome in terms of the conflict between organisational and STP accountability; how to address the financial challenges presented and reach system wide solutions to these; how they can ensure performance against individual and system wide targets can be accurately reported, with robust data; and ensuring the governance structures agreed facilitate robust and efficient decision making.</p> <p>The Council has not yet included any potential savings from the STP work into its medium term financial plans. The Director of Finance Group is developing a finance reporting package with a first report due in August 2017.</p>



06

Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

We anticipate having no issues to raise.



Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report.



07

Assessment of Control Environment



Assessment of control environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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

We have identified the following areas for consideration:

- Expenditure and funding analysis - this was a new disclosure for 2016/17. This note is intended to show how expenditure is used and funded from resources and how it is allocated for decision making purposes within the Council's reporting structure. We were able to agree the disclosure per the financial statements at a high level but the Council may wish to consider the link between the EFA and its outturn reporting such that the two are more closely aligned.
- Valuations - we have had detailed discussions this year related to the valuation as at 31 March 2017 of properties held within the HRA. We have undertaken additional audit procedures to ensure the valuation is within an acceptable range, including benchmarking with available market data and consultation with the EY Estates team. The Council currently instructs the valuer to prepare a valuation at the 1 April and an impairment review is then carried out to determine whether there have been any material movements in valuation in the period to 31 March. We recommend the Council consider amending their instruction to the valuer to provide the detailed valuation at a date later in the year such that any movement in valuation between the valuation date and the year end is minimised.







08 Appendices



Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits (delete if not an initial audit) 	Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Central Bedfordshire Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	Audit Results Report






Appendix A

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	<p>We have asked management and those charged with governance.</p> <p>Our work on this area is not yet complete and we will consider whether any subsequent events have occurred that might affect the financial statements up to the date that the opinion is signed.</p>
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	Audit Results Report We have no matters to report.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations.



Appendix A

		 Our Reporting to you
Required communications	What is reported?	  When and where
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the audit committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the audit committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	Audit Plan Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	Audit Plan Audit Results Report
Certification work	Summary of certification work	The Certification Report will be presented to the Audit Committee in due course.



Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Planning Board Report dated presented to the Audit Committee on 16 January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 27 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have undertaken no non-audit work outside the PSAA Code requirements. Non-audit work is work not carried out under the Code.

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

Description	Proposed fee 2016/17 £	Scale fee 2016/17 £
Total Audit Fee - Code work	136,466	136,466
Certification of claims and returns - housing subsidy claim ¹	26,910	26,910
Teachers' Pensions Return ²	10,000	n/a
Pooling of housing capital receipts return ³	4,000	n/a

All fees exclude VAT.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

² The Teachers' Pensions return does not form part of the PSAA contract. We are currently finalising the engagement terms for this return.




³ The pooling of housing capital receipts return do not form part of the PSAA contract. We are currently finalising the engagement terms for this return.



Appendix C

Outstanding matters

The following items are outstanding at the date of this report:

Item 	Actions to resolve 	Responsibility 
Clearance of final queries	Receipt and review of all final queries	EY and Management
Review of final version of financial statements	Receipt of final version of financial statements incorporating all agreed amendments and EY check of these	EY and Management
Management representation letter	Receipt of signed management representation letter	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management





Appendix D

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Central Bedfordshire Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>



Appendix D

<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"> • There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be. 	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>
<p><i>IFRS 16 Leases</i></p>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>





Appendix D

Accounting and regulatory update (continued)

Progress report on implementation of new standards and regulations

In previous reports to the Audit Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures	Impact on Central Bedfordshire Council  
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<ul style="list-style-type: none"> The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. 	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken some steps in 2016/17. For example it has started to critically review and amend the closedown process to achieve earlier draft accounts production.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> Issued a thought piece on early closedown As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 <p>Locally we have had discussions through the year on the Council's proposals to bring forward the closedown timetable and on potential areas for early work.</p> <p>We have agreed with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> Streamlining the Statement of Accounts removing all non-material disclosure notes Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations Providing training to departmental finance staff regarding the requirements and implications of earlier closedown Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure Establishing and agreeing working materiality amounts with the auditors



Appendix E

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
400 Capability Green
Luton
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Central Bedfordshire Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Central Bedfordshire Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.



Appendix E

Management Representation Letter (continued)

5. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

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

B. Fraud

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

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

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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

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

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

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements,



Appendix E

Management Representation Letter (continued)

guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

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

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.
4. The claim by [name of claimant] have been settled for the total sum of XXX which has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than..... described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises [describe the other information applicable to the entity].
2. We confirm that the content contained within the other information is consistent with the financial statements.

Yours faithfully,

_____ (Chief Finance Officer)

_____ (Chairman of the Audit Committee)

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ED None

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Central Bedfordshire Council

AUDIT COMMITTEE

Wednesday, 27 September 2017

2016/17 Statement of Accounts

Report of: Charles Warboys, Director of Resources and Section 151 Officer
(charles.warboys@centralbedfordshire.gov.uk)

Purpose of this report

1. The report presents the 2016/17 Statement of Accounts for Central Bedfordshire Council. The annual accounts document is attached at Appendix A to the report.

RECOMMENDATIONS

Having considered the Audit Results Report from Ernst and Young LLP (agenda item 7) the Committee is asked to approve:

1. the 2016/17 Statement of Accounts as presented;
2. the publication of the Annual Governance Statement 2016/17 with the 2016/17 Statement of Accounts; and
3. the 2016/17 draft Letter of Representation, as set out at Appendix C, for submission to the Council's external auditor Ernst & Young LLP, and that the Chairman of the Audit Committee and the Section 151 Officer be authorised to sign it.

Overview and Scrutiny Comments/Recommendations

2. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

3. Regulations require that the annual accounts are published with the audit opinion and certificate no later than 30 September following the end of the financial year. In advance of this the accounts must have been approved by Members. Approval of the accounts is therefore required at the

September 2017 Audit Committee. The full set of annual accounts is attached at Appendix A.

4. Auditing standards require the external auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve the draft letter of representation to Ernst and Young LLP attached at Appendix C.

Statement of Accounts 2016/17

5. The Section 151 Officer, as required by the Accounts and Audit Regulations, certified the 2016/17 draft annual accounts on 29th June 2017. A presentation explaining key figures within the accounts was made to the Audit Committee at its June meeting. Public inspection of the accounts was also advertised and this concluded on 10 August 2017.
6. The Statement of Accounts 2016/17 have been subject to external audit examination by Ernst & Young LLP during the period July to September 2017. The Ernst & Young LLP's Audit Results Report (EY ARR) is at item 7 on this agenda. At the point of writing this report the audit has concluded.
7. The Audit Results Report outlines any audit differences impacting on the original draft version of the accounts that exceed £0.586m—a value calculated by the external auditors based on their level of materiality. At the time of writing this report one such difference, in respect of the disclosed valuation of the Council's housing stock, has been identified. The valuation of the housing stock disclosed in the draft accounts of £398.98m was understated by £40m and consequently the unusable Capital Adjustment Account Reserve (£526.041m) and Revaluation Reserve (£236.58m) were also understated. The difference has been adjusted in the statement of accounts as it was deemed material to the individual balance of the housing stock, albeit not to the overall valuation of property plant and equipment of £1.3bn.
8. The difference in the valuation arises from the results of the impairment review undertaken by the Council's professional valuer, Wilks Head & Eve, which suggested that there had been a market increase in the valuation of the Council's housing stock of 10%. Initially it was felt that this was not material to the balance and therefore the suggested uplift was not applied to the valuation in the draft statements. Further it was considered that as the Council's housing stock is revalued every year it would not materially mislead the reader of the accounts.
9. Robust discussion took place with EY as to whether the impairment review should have been applied. As they considered the balance of the Council's housing stock in isolation from the overall property plant and

equipment it was deemed a material change and therefore an adjustment to the accounts would be required.

10. Further to this we have commenced discussion with the valuers to identify whether it is possible to change the date of the initial valuation of the housing stock from 1 April each year to later in the year. The impact of which would greatly reduce any change in market prices at the end of the year. At the time of writing this is looking favourable and it may be that in future years the date of the valuation will be 31 December resulting in only 3 months of any change in market conditions which it is considered unlikely to be material and therefore no impairment allowance will be required to be adjusted for at the year end.
11. At the time of writing the external audit process for 2016/17 is complete and there are no issues identified that would prevent an unqualified audit opinion being issued. Work also continues in respect of the Whole of Government Accounts (WGA) return for 2016/17 and it is planned to have the audit of this aspect completed by HM Treasury's deadline of 29 September 2017. The audit completion certificate cannot be issued until after the WGA audit is completed.

Changes made to the Statement of Accounts certified by Section 151 Officer on 29 June 2017

12. Appendix B sets out the changes made to the statement of accounts certified by the Section 151 Officer on 29 June 2017. The majority of the changes are presentational in nature reflecting various incorrect classifications of specific items. With the exception of the change in the valuation of the Council's housing stock, none of the items impact on the financial position of the Council as reported at 31 March 2017.

Uncorrected misstatements below the audit reporting threshold

13. There were no misstatements identified during the audit that have not been adjusted in the statements.

Letter of Representation

14. Auditing standards require the External Auditor to obtain appropriate written representation from the Council about the financial statements and governance arrangements. The Committee is therefore asked to approve a draft letter of representation to Ernst & Young, attached at Appendix C.

Reasons for decision

15. As required by the Accounts and Audit Regulations the annual accounts must be published with the audit opinion no later than 30 September. In

advance of this the accounts must have been approved by Members and to meet this requirement approval of the accounts is required at the 27 September 2017 Committee meeting.

Council Priorities

16. The effective management of the Council's financial resources and the associated risks supports the delivery of the Council's priorities.

Corporate Implications

Legal Implications

17. The Accounts and Audit Regulations 2011 require the Council to approve and publish annual accounts by 30 September following the end of the financial year.

Financial and Risk Implications

18. The annual accounts report the financial position of the authority at the end of the financial year and are prepared under the International Financial Reporting Standards, as interpreted by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Equalities Implications

19. There are no equalities implications to this report.

Conclusion and next Steps

20. Following approval, in accordance with the Accounts and Audit Regulations 2015 and the completion of the external audit process, the Statement of Accounts 2016/17 and the public notice of the conclusion of the audit of accounts by Ernst & Young LLP will both be published.

21. The signed letter of representation will be provided to the auditors.

Appendices

Appendix A: 2016/17 Statement of Accounts

Appendix B: Schedule of Changes

Appendix C: 2016/17 Letter of Representation

Background Papers

None

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Central Bedfordshire Council

Statement of Accounts for the year
2016/17



CENTRAL BEDFORDSHIRE COUNCIL

STATEMENT OF ACCOUNTS 2016/17

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Narrative Report

Introduction

Central Bedfordshire is a unitary authority serving a growing population of around 274,000 residents, the 15th largest unitary council population in England. It is a largely rural area with over half the population living in the countryside and the rest in a number of market towns.

The largest of these are Leighton Buzzard, Dunstable, Houghton Regis, Biggleswade, Flitwick and Sandy.

The area is generally prosperous, with above average levels of employment. However, there are pockets of deprivation and greater need in some areas.

The area has excellent transport links with the A1 and M1 running through it, three main rail lines and two international airports, Luton and Stansted, on our doorstep.



It is a relatively safe, green and affluent area which has attracted major investment. People living in Central Bedfordshire earn more than the national average; this is in part influenced by some residents commuting out of the area – primarily to Hertfordshire, Luton, London and Milton Keynes.

According to the Better Family Life Index from uSwitch.com, Central Bedfordshire has been ranked the third best place in the UK to live for families (11th in 2015). The annual study by the independent price comparison and switching service looks at different aspects which are important to family life and then ranks 138 local authorities across the UK accordingly.

This year's study using consumer research and government data focused on 33 areas, ranging from health, housing, crime and education to the amount of sleep people get and the average daily hours of sunshine.

Our Services

The following core services are provided by the Council:

- **Adult Social Care** involves the provision of social work, personal care, protection or social support services to adults in need or at risk, or adults with needs arising from illness, disability, old age or poverty.
- **Children's** services provide care and protection where needed to help children and young people fulfil their potential. The Council supports schools

and children's centres, helping disabled children and their families and providing fostering and adoption services.

- **Planning, regeneration and business** services help to support business growth, develop skills, drive employment and reinvigorate towns to attract investment and jobs as well as meeting housing need.
- **Waste and recycling** services organise alternate weekly bin collections for 113,000 households as well as running four tidy tips.
- **Highways** services keep roads and pavements in good shape by fixing problems quickly and efficiently as well as providing walking and cycling routes and promoting road safety.
- **Housing (Housing Revenue Account)** the Council owns and manages over 5,000 properties.
- **Community protection** services make sure that Central Bedfordshire is a fair and safe place to live by tackling anti-social behaviour, supporting businesses to trade fairly and safely, and look after the environment.
- **Leisure, libraries and countryside** services provide opportunities to get fit, meet others, learn, access arts and culture and enjoy the great outdoors.
- **Other** services support the democratic process and keep the Council running effectively and efficiently making sure customers can access the services they need. For example, customer contact teams are the first port of call for residents' queries including payment of housing benefit and council tax support; financial services oversee spending and payments and legal services support work to protect children and the public. Registrars officiate at marriages, civil partnerships and celebratory services and certify births and deaths. The Council also administers local and national elections and maintains the electoral register.

These services are either provided directly by the Council or are commissioned from and delivered by other organisations. Most of these services are mandatory, meaning that the Council must provide them because it is under a statutory duty to do so. There has been no major change in statutory functions during 2016/17.

- Planned future developments in service delivery include
 - Customer Pathways – reviewing and improving the ways in which customers interact with the Council
 - Shared services – working more effectively with partners to deliver improved outcomes for the public and business, and
 - Waste – increasing recycling by using targeted leaflets, bin tags, vehicle branding and electronic media to encourage residents to recycle more and recycle the correct things thereby reducing the cost of disposal.
 - Digitisation – to digitise all of the Council's services to enhance accessibility for the Council's residents, businesses and service users.

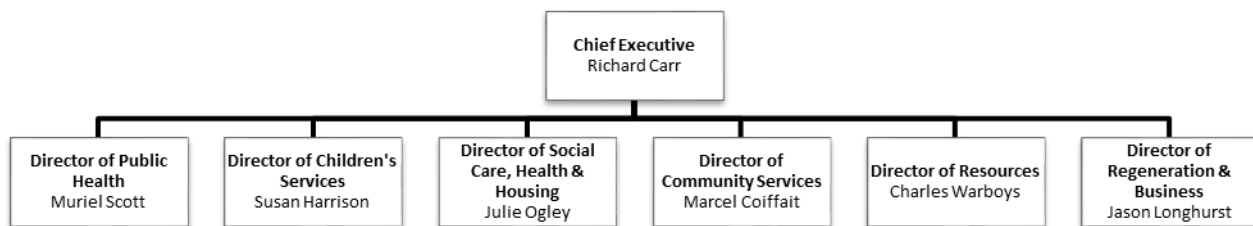
Council Structure

Political Structure

There are 59 elected Councillors and at 31 March 2017 the Conservative group held 53 seats. The largest opposition group comprised three Independent Councillors and the Labour and Liberal Democrat parties held two and one seats respectively.

Management Structure

Delivering a diverse range of services relies on a well structured management team. The Council's directorates are shaped around the services provided.



Following the departure of the former Director of Improvement & Corporate Services at the end of June 2016 a decision was taken to move to a new operating model, where the leadership of the core services on which the whole organisation depends would be distributed across the Corporate Management Team. As a result the Chief Finance Officer was appointed to the role of Director of Resources and other Directors took on various corporate functions. The 2015/16 Comprehensive Income & Expenditure Statement has been restated to reflect the new structure and enable comparability between the financial year ended 31 March 2017 and the previous year.

This change has also reduced Senior Officer remuneration costs by £53k to £1.266M (£1.319M in 2015/16). The full year impact, which will be seen in 2017/18, will equate to a higher reduction. Further detail on this can be seen in Note 31 to the Statement of Accounts.

Employees

The Council employs approximately 4,000 staff and also employs some temporary / agency staff to deliver the various services, however the dependency on temporary resources is reducing with total spend in 2016/17 down by £2.673M (£10.077M compared with £12.750M in 2015/16).

A staff survey is conducted on a biennial basis, which provides an insight into what it is like to work at the Council, across a range of services, and allows officers to work together to affect positive change. The results from the Autumn 2016 survey identified that Council staff feel valued and would recommend Central Bedfordshire Council as a place to work.

The Council invests in staff and constantly looks to improve the working environment. A wellbeing programme is promoted including activities such as the workplace challenge, a national programme aimed at engaging workplaces in sport and physical activity and gardening.

In 2016/17 a vacancy management programme was implemented which has emphasised opportunities for internal applications and has increased the flexibility for staff to work in different areas.

A Working Smarter programme is being implemented which is aimed at continuing to modernise the way the Council works, operating with less paper, leaner processes and using fewer offices by enabling staff to work in any locations, including home working. To do this technology is being applied more effectively and office space is being adapted to enable more flexible working.

Looking ahead there are a number of projects in place for 2017/18 that are also aimed at further improving working practices. As well as continuing to roll out the Working Smarter programme a new HR system (Success Factors) will be implemented to better integrate corporate systems and facilitate more efficient and effective recruitment.

The Council is also focusing further on the use of technology. Digitisation 2017 is an ambitious programme to transform the organisation so that the Council is in the best possible position to deliver the objectives for customers and communities. Technology will be essential to successful delivery of the Council's ambitions, not only in making 100 per cent of services accessible online but also in other areas, such as the Working Smarter programme and improving data management.

The Council's Five Year Plan 2015–2020

The Council has adopted a Five Year Plan for the period 2015–2020 to deliver a vision of making Central Bedfordshire a great place to live and work. The Council intends to respond to changes in demography and technology whilst accommodating ongoing regulatory change and central government public expenditure plans. Improving the health and happiness of residents are key aims of the plan.

Underpinning this vision are our priorities:

- Enhancing Central Bedfordshire
- Great Resident Services
- Improving Education and Skills
- Protecting the Vulnerable; Improving Wellbeing
- Creating Stronger Communities
- A More Efficient and Responsive Council

The Five Year Plan can be accessed on the Council's website

<http://www.centralbedfordshire.gov.uk/council/five-year/plan.aspx>

Our Performance

Enhancing Central Bedfordshire

We have an ambitious capital programme with a plan to invest up to £284m over the four years from 2016/17 to deliver some key infrastructure projects including roads, school buildings, leisure facilities and much more.

The Woodside Link road scheme, which connects Houghton Regis and Dunstable industrial estates to the M1 junction 11a, opened to the public on 13 April 2017. The road was built to tackle current heavy traffic and poor air quality in the local towns and villages and to provide vital infrastructure ahead of its plans to bring future business and housing growth to the area.

Nine parks and open spaces across Central Bedfordshire were recognised in this year's Green Flag awards.

There are a number of exciting and ambitious schemes in place and in the pipeline to revitalise the market towns. Town centre vacancy rates are a good way of indicating their success and prosperity, and will be monitored closely so that the Council can be certain the work it is doing is effective. The vacancy rate in Central Bedfordshire town centres currently stands at 4.31%, an improvement on the 5.75% recorded in June 2016.

Great Resident Services

Performance in key services has continued to improve. A number of the Council's universal services were relatively well regarded from the outset of the Council in 2009 and have enjoyed increasing levels of satisfaction.

Refuse collection, for example, achieved customer satisfaction ratings of 72% in 2011. In 2016, this had increased to 84% which is ahead of the national average. Satisfaction with the library service is also ahead of the national average (71% satisfied compared to an average of 64%).

Satisfaction with leisure has almost doubled during the same period. In 2011, 35% of survey respondents expressed satisfaction and this had increased to 61% in 2016. The Council has invested heavily in a leisure strategy with a new leisure centre for Flitwick which opened in 2016 and is proving very popular with users. The Council is also moving forward with plans for a £20million leisure and cultural hub in the heart of Dunstable.

Improving Education and Skills

Performance with regard to schools in Central Bedfordshire judged to be 'Good or Outstanding' has improved to 89% (from 85% this time last year, and from 75% in the last four years). Ofsted publish a similar indicator which does not include sponsored academies yet to be inspected.

The percentage of young people aged 16-18 who are in education or employment or training (EET) in 2015/16 in Central Bedfordshire has improved to 90.4% (from 88.5% in 2014/15), reflecting the effective support and interventions from the Council.

Learning new skills doesn't stop when children leave school, so the Council will support adults to obtain the skills they need to succeed, and will also ensure that it matches the provision of skills with those that are needed by employers.

Protecting the Vulnerable; Improving Wellbeing

The Council is focusing on helping people live independently for longer, with our flagship Priory View site in Dunstable a huge success with residents since it opened. Subsequently this has won national profile, winning awards and hosting a Royal visit in Spring 2016, when it was opened by HM The Queen and HRH The Duke of Edinburgh.



In total the Council facilitated the provision of 164 independent living units, two new residential care homes and has plans for a further six schemes, the first of which, Houghton Regis Central, has secured planning permission with construction envisaged imminently.

Improvement has also been evident in our services for vulnerable adults and children. Initially the Council saw a rapid rise in the number of looked after children and children on child protection plans, but has now stabilised the situation.

Much emphasis is placed on developing the Council's workforce, meaning that we've reduced the proportion of agency staff by 25%. In-house foster care placements have been increased by 19% and, through a positive emphasis on early intervention, the number of children on protection plans has reduced by 44% compared to an increase in the national trend.

Creating Stronger Communities

The Council will do all it can to strengthen community spirit in Central Bedfordshire's towns and villages, nurturing a sense of place and belonging to build resilience and reduce social isolation.

A More Efficient and Responsive Council

The Council will be focused on cost effectiveness and efficiency in all that it does. Customers, the residents and businesses of Central Bedfordshire, will help to determine whether it is successful in this ambition. The Council will listen to their opinions, views and preferences in shaping its plans.

The latest market research (September 2016) suggests that customer satisfaction has doubled since the Council was created with 70% (68% national average) of residents suggesting they are satisfied with the way the Council runs things, compared to 35% in 2009. Satisfaction with value for money has also more than doubled (now 58%) and 49% of residents are positive advocates now, compared to just 11% in the 2009 baseline research.

The Council has achieved a sustainable financial position, having delivered savings of £104m since 2009 and has a robust plan to maintain financial stability in the years to come.

The Council intends to continue to work to ensure that provision of the best possible services and opportunities for residents of all ages. The Council will also continue to work hand-in-hand with big businesses that are now seeing Central Bedfordshire as the perfect place to set up shop, bringing money and jobs to the area.

In pursuit of achieving financial sustainability, addressing health inequalities and improving health outcomes, the Sustainability and Transformation Plan has five priority areas of action. The three public facing areas are focusing on prevention, integration of primary and social care and the future of hospital provision. This is already a contentious area of potential change but one that must be addressed given the particular financial pressures on the health system in this area.

Draft Outcome of Corporate Peer Challenge

In May 2017 the Council took part in the Local Government Association's Corporate Peer Challenge. This is a proven tool for improvement. It is a process commissioned by a Council and involves a small team of local government officers and Councillors spending time at the council as peers to provide challenge and share learning.

Following the review the Council was described in the draft report as: *"An impressive Council, which has established a sound foundation and is delivering some exemplary work."*

Having spent time interviewing staff and Councillors, as well as analysing a wide range of policies and plans the reviewers acknowledged the track record in improving customer satisfaction, staff engagement and financial management. The review also acknowledged “exemplary” partnership working, innovations in training and development such as the Social Work Academy and the high quality of the Council workforce.

The Council was challenged to be more joined up in the approach to affecting change, specifically urging the importance of connecting the transformation agendas across the Councils’ services. The finalised peer review feedback will be used to consider future developments across the Council.

Medium Term Financial Plan 2017–2021

The Council’s Medium Term Financial Plan (MTFP) underpins the Five Year Plan, by allocating resources to deliver Council services and strategic outcomes, whilst identifying adjustments to achieve a sustainable financial position over the next four years. The MTFP 2017–2021 was updated and approved by Council on 23 February 2017 against a background of the significant challenges of reductions in public sector funding and ongoing reforms to local government, at a time of subdued economic growth.

Following a change in Central Government policy to the way in which Local Authorities are funded, 2016/17 was the first time for a number of years that the Council increased Council Tax.

Prior to 2016/17, the Council had generated savings of more than £104M in order to avoid the necessity of increases in Council Tax whilst protecting front line services. This was achieved by adopting a whole Council approach to robust budget management, delivering more efficient ways of working and ensuring that the Directorate and Service priorities were clearly identified and resourced.

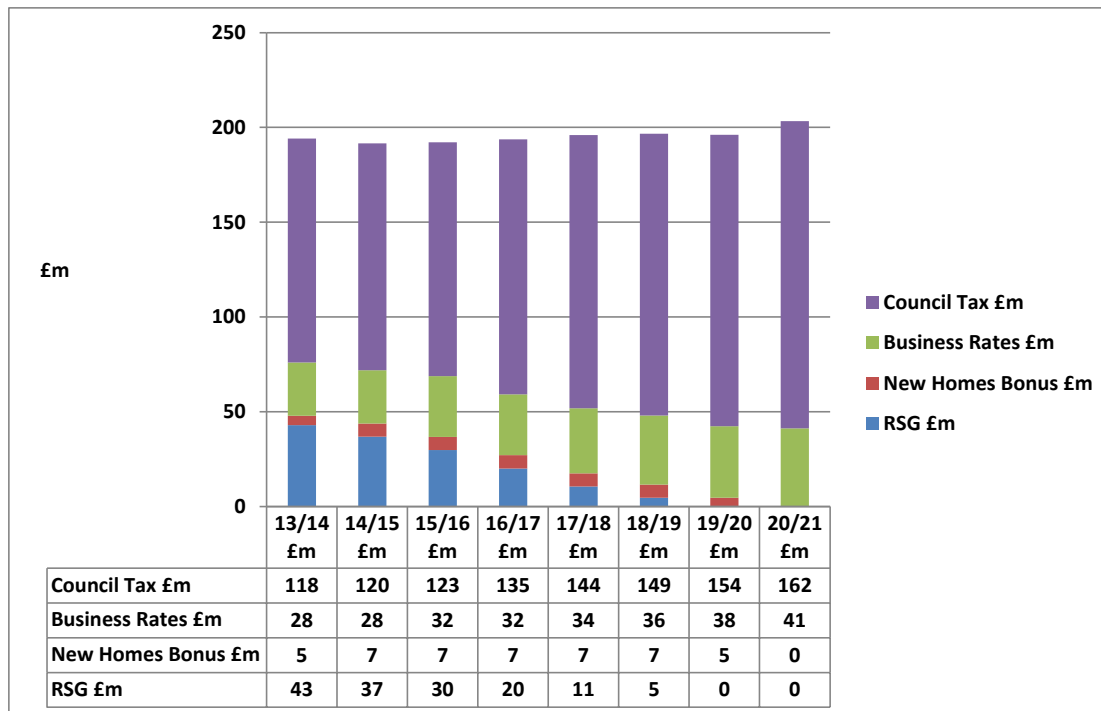
The MTFP for 2017–21 identified £15.2M of efficiencies as required to produce a balanced budget for 2017/18 in the light of the ongoing reduction in funding from Government and emerging cost pressures. A further £31.2M of efficiencies had been estimated as required over the three years from April 2018 in order to achieve the proposed MTFP.

The Council’s funding from Government over the MTFP period comprises three elements:

- Revenue Support Grant (RSG) – two years only.
- Business Rates Retention Scheme and
- Grants, including Ring Fenced Grants & New Homes Bonus

Local Government funding sources are forecast to change significantly over the Medium Term Financial Plan period 2017/18 to 2020/21.

The chart below shows how funding sources are forecast to change over the MTFP period, with 2013/14 to 2016/17 as comparators.



The Council maintains a level of general reserves to allow it to withstand any unanticipated financial impacts of future developments at a local and national level. As at 31 March 2017 the General Fund balance stood at £15.6M (£15.5M as at 31 March 2016). Strategic and operational risks facing the Council are identified, reviewed and managed on a continuous basis in line with the Council's Risk Management Strategy.

Financial Overview

Financial Performance – Revenue Budget

The net revenue budget for 2016/17 was set by the Council at £189.2M (£186.5M in 2015/16). This excludes the budget allocated to schools and also the Council's self financing Housing Revenue Account (Landlord business). The latter is reported under separate cover and schools are not included as the grant received from the Government is passed directly through to schools.

The 31 March 2017 net revenue outturn reported to the Executive Committee meeting of 20 June 2017, after movements in earmarked reserves, was £0.052M below budget (£0.051M below budget 2015/16). The outturn position reported to the Executive Committee is reconciled to the accounting statements via the Expenditure and Funding Analysis (EFA) and summarised by Directorate in the table below.

Provisional Outturn March 2017			
Directorate	Budget £m	Actual £m	Variance £m
SCHH	69.3	69.8	0.5
Childrens Services	36.6	36.1	(0.6)
Community Services	46.7	46.5	(0.2)
Regeneration	5.9	5.7	(0.2)
Public Health	0.0	0.0	0.0
Chief Executive's	7.5	8.0	0.6
Resources	11.7	10.9	(0.8)
Corporate Costs	11.5	12.1	0.7
Total Excl Landlord Business	189.2	189.1	(0.1)
Schools	0.0	0.0	0.0
Landlord Business	0.0	0.0	(0.0)
Total	189.2	189.1	(0.1)

Financial Performance – Capital Programme

The Council's Capital programme sets out expenditure plans for acquiring, constructing and improving buildings, roads and equipment that are used in delivering services. The Council derives benefit from such capital expenditure over many years. Capital expenditure on capital assets amounted to £84.9M in the year ended 31 March 2017 (£84.2M in 2015/16).

The Capital programme also includes £28.3M (£27.5M in 2015/16) of grants and other expenditure on projects that are capital in nature but do not create an asset to be recognised on the Council's Balance Sheet. The Council has authority under statute to finance such revenue expenditure from capital resources.

In 2016/17 the total Council capital programme expenditure was £108.5M (£109.4M in 2015/16), which was £39.7M (£50.7M in 2015/16) less than the budget. The majority of the programme variance (£41.6M) related to various scheme delays where expenditure will be incurred in 2017/18 and future years (£46.1M in 2015/16). Additional expenditure of £3.1M was funded by contributions made by developers under section 106 of the Town and Country Planning Act (£2.3M in 2015/16). The Council did not spend the full budget allocation in 2016/17 mainly due to delays in a small number of large schemes arising from extended tendering and procurement

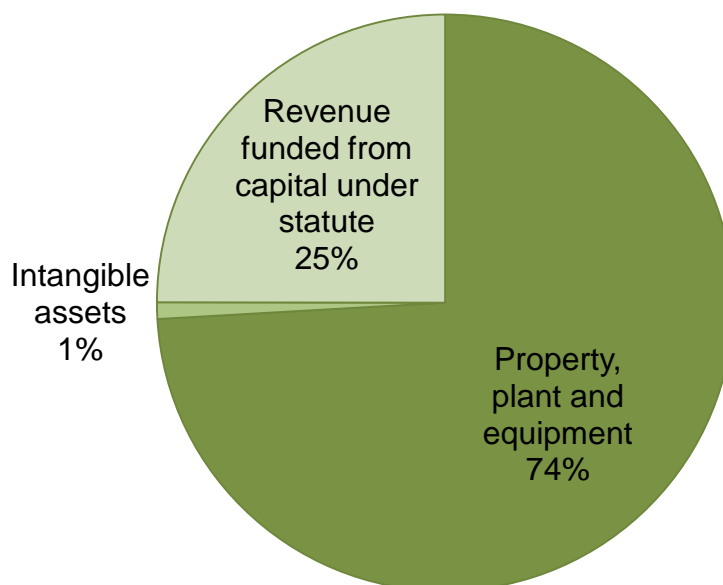
activity, delays in third parties approving grant applications and extended consultation activity.

The Council continues to invest in service improvements and during 2016/17 significant projects included expenditure on a new independent living housing development in Houghton Regis, enhancement to waste disposal facilities and redevelopment of a medical centre in Biggleswade. Investment in the Highway network is a key Council priority and a very significant project is the new Woodside Link road which connects the industrial areas of Dunstable and Houghton Regis to the strategic road network.

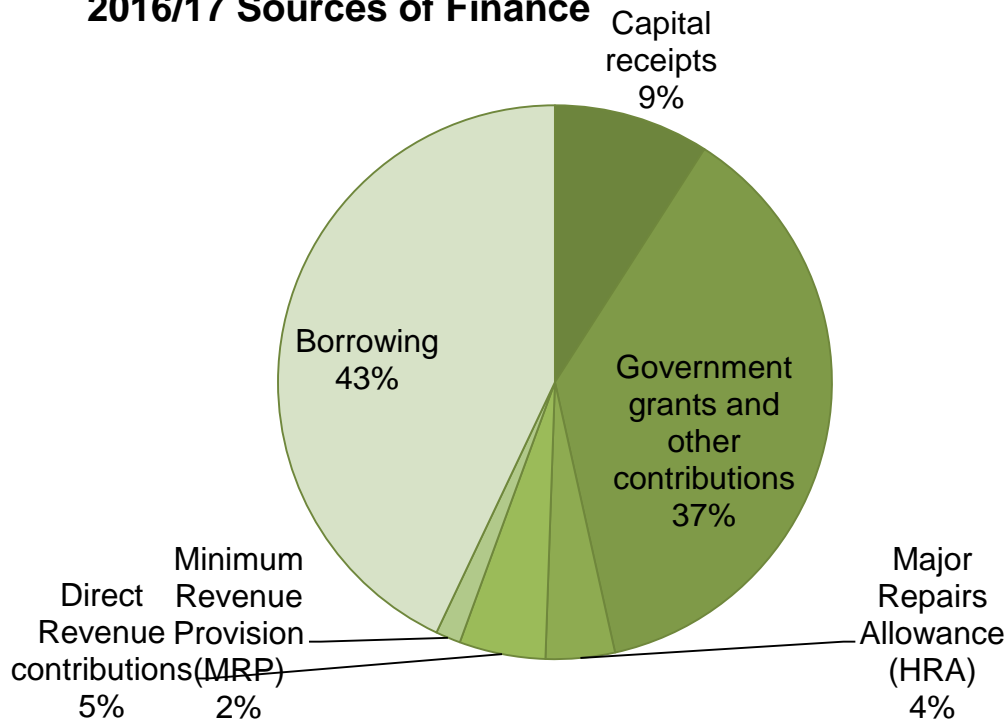
Capital expenditure has been funded by Government capital grant together with contributions from developers and outside agencies, available capital receipts and revenue contributions. Funding from these sources totalled £64.6M (£82.9M in 2015/16); with the balance of £48.6M met from borrowing finance (£28.9M in 2015/16). Capital receipts—£10.3M (£5M in 2015/16), have been the highest achieved since the Council began in 2009. Where Council cash resources are required for funding, internal borrowing has been utilised to the full extent and external borrowing used thereafter.

The following diagrams show our capital investment and sources of finance in 2016/17. Further detail can be found in Note 36 to the Statement of Accounts.

2016/17 Capital Investment - £113.2M



2016/17 Sources of Finance



Statement of Accounts

The Council is required by statute to prepare a Statement of Accounts in accordance with proper practices in relation to accounts. The Statement of Accounts has been produced for the Council as a single entity based on International Financial Reporting Standards (IFRS) and prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code").

The Code's overriding requirement is that the Statement of Accounts should 'present a true and fair view' of the financial position and transactions of the Council. The pattern of presentation of the statement is laid down by the Code, which the Council is legally required to follow.

The Statement of Accounts and the supporting notes explain the Council's finances during the financial year 2016/17 and its financial position at the year end. It follows approved accounting standards and is necessarily technical in parts. Comparative numbers are also provided for the financial year 2015/16.

Explanation of the Main Statements in the Accounts

Comprehensive Income and Expenditure Statement (CIES)

This statement, as set out on page 23, 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 both the EFA and the Movement in Reserves Statement. The 2015/16 CIES has been restated to reflect the new structure and enable comparability between the financial year ended 31 March 2017 and the previous year. There has been no change to the Net Cost of Service as the restructure represented an change in responsibility between directorates and not a change in services provided.

Key items to note:

- Net cost of services has changed by £13.780M largely as a result of the positive valuation of the HRA in 2015/16 impacting on the comparative figures. Individual service line expenditure has remained broadly consistent between years demonstrating that there has not been a significant movement in the net costs of Council's activities. This has had an impact on the overall position on the provision of services resulting in a deficit of £10.892M (surplus of £4.260M in 2015/16).
- Financing and investment income has remained broadly the same between years, as has taxation and non specific grants.
- Other Comprehensive Income and Expenditure has moved considerably between the years (£151.450M) largely as a result of the movement on the value of the defined pension liability (£85.042M in 2016/17 compared with an asset of £74.176M in 2015/16 – a total movement of £159.218M).

The Movement in Reserves Statement

This Statement, as set out on page 24, 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 Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Key items to note:

- Usable reserves have increased by £17.1M to a total of £102.7M (£85.6M in 2015/16). Of the usable reserves £76M has been set aside in earmarked reserves as it is destined for specific purposes. Note 10, to the Statement of Accounts has further information on these future projects.
- In contrast the unusable reserves have reduced by £26.4M to a total of £385.4M (£411.8M in 2015/16). The main reasons for this reduction are a £96M increase in the Pension Reserve deficit as a result of changes in the assumptions used to value the fund which is offset with a £83M increase in the Revaluation Reserve (£263.8M in 2016/17 compared with £180.6M in 2015/16) and a £12M reduction in the Capital Adjustment Account.

The Balance Sheet

The Balance Sheet, as set out on page 26, shows the value as at the Balance Sheet date of the Council's assets and liabilities. 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 to 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'.

Key items to note:

- Property, plant and equipment has increased by £117M from £1,193M in 2015/16 to £1,310M in 2016/17. This is largely due to the completion of the Woodside Link road in the year, which then opened to the public in April 2017 (expenditure of £19.6M in year), and £17.1M spent on New School Places to address the growth in pupil numbers.
- Short-term investments and cash have both increased; investments by £0.443M (£0.564M in 2015/16 to £1.007M in 2016/17) and cash by £3.854M (from £0.409M in 2015/16 to £4.263M in 2016/17), the latter having been increased due to cash in transit. This is matched by the circa £10M increase in short-term borrowing (£73.4M in 2016/17 and £63.6M in 2015/16). We have made a concerted effort to make the most of low interest rates on borrowing. Further information on our treasury management and borrowing practice is outlined later in this report.
- There has been a positive movement in the Council's working capital with a reduction in short-term debtors by £10M to £44.7M (£54.7M in 2015/16) and a corresponding increase in short-term creditors of £11.7M to £59.8m (£48.1m in 2015/16). This helps to demonstrate that the Council is collecting money owed faster. This has also helped with our treasury position.
- The nearly £100M increase in long-term liabilities (£750M in 2016/17 compared with £649M in 2015/16) is largely attributable to the increase in the net pension liability. This has increased as a result in changes to the discount rate that is used by the actuaries to value the fund reflecting a decline in Bond yields. Further information on the pension liability is set out later in this report.

The Cash Flow Statement

The Cash Flow Statement page 27 shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of

services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Council.

Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis is not a core statement and is a new note to the accounts for 2016/17. This statement, as set out on page 50, shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Other information also presented

This document also includes Supplementary Financial Statements:

- the Housing Revenue Account (HRA) Income and Expenditure Statement shows the costs in the year of providing housing services and the Movement on the HRA Statement shows adjustments made to the HRA in line with statutory requirements
- the Collection Fund Statement separately summarises the transactions in relation to Council Tax and Non-Domestic Rates collected by the Council on behalf of those authorities responsible for services within the area and the way in which these monies have been distributed among the authorities to finance their expenditure.

Other statements published with but not part of the Statement of Accounts include the Annual Governance Statement which explains how the Council has complied with its corporate governance framework and provides information about the different elements of the framework, key issues and the main areas of work that have been progressed during 2016/17 and are being developed in 2017/18. A Glossary of key terms is also provided as an aid to readers of this document.

Group accounts

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council does not have material interests in any such bodies and accordingly is not required to prepare group financial statements.

Material assets acquired or liabilities incurred

The capital programme expenditure is summarised on pages 10-11 and movements in Property Plant and Equipment are included at Note 14. There were no material assets acquired or liabilities incurred during 2016/17.

Material and unusual charges or credits

Academy Transfers

There were two schools that transferred to Academy status during 2016/17: Arlesey Nursery School and Childcare Centre was amalgamated with Gothic Mede Academy; and The Lawns Early Excellence and Children's Centre became part of Biggleswade Academy. This resulted in a net transfer of Property, Plant and Equipment non-current assets valued at £1.8M from the Council's Balance Sheet.

Better Care Fund

The Better Care Fund (BCF) was established by the Government from 1 April 2015 to provide funds to local areas to support the integration of health and social care. Under a framework partnership arrangement between Central Bedfordshire Council (the "host") and NHS Bedfordshire Clinical Commissioning Group, a pooled fund was set up in 2015/16 for this purpose. Both parties jointly commission the services and agree to meet their proportionate share of transactional costs. The risk share agreement is on the basis of a 50:50 split, so any net surplus or deficit is shared on this basis. The arrangement with expenditure of £19.3M (£18.2M in 2015/16) is set out at Note 29.

Net Pension Liability

The Council's net pension liability has increased by £95.9M (decrease of £60.5M 2015/16), which is a material movement within the 2016/17 Statement of Accounts. The liability changes significantly with the volatility in investment markets for fixed interest securities and also the assumption rates used in the calculations by the actuaries. Further details can be found in Note 41 and is commented on below.

The Council's Local Government Pension Scheme liability

The Council is a member of the Local Government Pension Scheme (LGPS) administered by Bedford Borough Council, which is open to all non-teaching employees of Central Bedfordshire Council. The CIPFA Code of Practice requires the Council to record in the Statement of Accounts, the assets and liabilities of the LGPS attributable to the Council and the cost of pensions. The underlying principle is that the Council should account for retirement benefits when it is committed to making them, even though the cash payments may be many years into the future.

The liability for both statutory and discretionary pension benefits, measured in accordance with International Accounting Standard (IAS) 19, has increased over the year. At 31 March 2017 the Council's net liability reported by the Actuary to the

LGPS was £416.5M (£320.6M in 2015/16). The fair value of LGPS assets increased over the year to £500.9M (£427.1M in 2015/16) and the value of the obligations to pay pension liabilities increased to £917.4M (£747.7M in 2015/16). The increase in liabilities mainly reflects a reduced discount rate applied to the future estimated pension liabilities.

The net pension liability of £416.5M represents an estimate following IAS19 requirements and there is no direct link to funding or employers' contribution rates. The net liability is matched by the Pension Reserve, also shown in the Balance Sheet.

There are statutory arrangements for funding any LGPS deficit by increased employer contributions over the remaining working life of employees, as determined by the scheme's Actuary. The triennial actuarial valuation of the Bedfordshire LGPS determines the future contribution rates for employers and reflects different assumptions from those required by IAS19. The triennial valuation at 31 March 2016 certified a funding level of 71% for the Bedfordshire LGPS as a whole and 66% for this Council.

Further details of the LGPS can be found in Note 41 Defined Benefit Pension Scheme.

Treasury Management and Borrowing

The Council's treasury management and capital financing strategy is to defer borrowing wherever possible and maintain cash balances sufficient only for operational purposes. The value of the Council's cash and cash equivalents at 31 March 2017 was £4.263M (£0.409M 31 March 2016). The credit risk of banking failures is still present and diversification of investments between creditworthy counterparties is now increasingly important to mitigate investment risk where shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process.

In the wider economy, the Bank of England has continued to maintain low interest rates and despite signs of a recovering economy with jobs growth, the Bank is not expected to raise rates until 2018 at the earliest.

Within the Treasury Management Strategy, the Council approved an authorised borrowing limit for 2016/17 of £567.1M (£533.4M in 2015/16). At the 31 March 2017 the Council had accessed £9.8M (£25.5M at 31 March 2016) of additional short term borrowing from the local authority market to fund expenditure on the Capital Programme, and £6.6M (£9.4M 2015/16) debt from the same source to repay maturing loans from the Public Works Loan Board.

At the end of the financial year, the Council had outstanding external borrowing in place of £347.8M (£338.1M 2015/16) in respect of the funding of the capital programme and social housing.

Significant provisions or contingencies and material write-offs

There were £6.1M of provisions as at 31 March 2017 (£5.7M 2015/16) the most significant being in respect of self insurance arrangements and appeals in respect of business rates values. The Insurance Provision, which includes some liabilities in respect of the former Bedfordshire County Council which are managed on behalf of the Council and Bedford Borough Council, stood at £2.3M as at 31 March 2017 (£2.3M 2015/16). A further £2.1M (£2.1M 2015/16) reflects the Council's share of the total provision made within the Collection Fund of £4.3M (£4.1M 2015/16) in respect of business rate appeals.

There were no significant General Fund income write-offs in the year.

Material events after the reporting date

The Statement of Accounts were authorised for issue by the Chief Finance Officer (Section 151 Officer) on 29 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events known to the Council which would need to be registered as events after the Balance Sheet date.

Significant changes in accounting policies

There were no material changes in accounting policies during 2016/17.

In 2016/17, it was anticipated that the CIPFA Accounting Code of Practice would adopt the Highways Network Asset Code in 2017/18 having delayed the implementation from 2016/17. This would result in a change to the measurement basis for the Council's highways related assets. The new Highways Network Asset would have been valued at depreciated replacement cost, replacing the depreciated historic cost value that is currently disclosed. However, at its meeting on 8 March 2017, the CIPFA/LASAAC Local Authority Accounting Code Board decided not to proceed with the introduction of the Highways Network Asset Code.

Conclusion

Through careful planning and management, Central Bedfordshire Council has been able to close its 2016/17 accounts showing a robust position, which will support the Council in meeting the financial challenges of 2017/18 and beyond. Whilst a balanced budget has been set for 2017/18, the projections for future years indicate a gap between the Council's expected funding streams and the Council's expenditure. It is therefore essential that the Council continues with its programme to identify further savings opportunities to ensure future balanced budgets are able to be set.

Charles Warboys
Director of Resources & Section 151 Officer
Central Bedfordshire Council
Priory House
Monks Walk
Chicksands
Bedfordshire
SG17 5TQ

Statement Of Responsibilities For The Statement Of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Chief Finance Officer has this responsibility.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. The Audit Committee, under delegated authority from the Council, fulfils this role.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

In preparing this statement, the Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper accounting records, which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification and Approval

The Statement of Accounts presents a true and fair view of the financial position of Central Bedfordshire Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Councillor Mike Blair – Chair of Audit Committee

Charles Warboys – Director of Resources & Section 151 Officer

27 September 2017

Core Financial Statements 2016/17

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 Restated			2016/17		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
100,532	(28,055)	72,477	103,622	(28,276)	75,346
84,739	(28,847)	55,892	84,951	(29,088)	55,863
92,603	(13,787)	78,816	80,581	(15,667)	64,914
16,155	(5,199)	10,956	17,205	(7,274)	9,931
15,826	(15,855)	(29)	17,753	(17,953)	(200)
9,476	(35)	9,441	10,851	(1,702)	9,149
78,412	(69,110)	9,302	78,779	(67,405)	11,374
2,138	(9,129)	(6,991)	2,492	(12,430)	(9,938)
119,273	(112,846)	6,427	118,187	(112,677)	5,510
(7,659)	(28,727)	(36,386)	21,376	(29,639)	(8,263)
511,495	(311,589)	199,906	535,796	(322,110)	213,686
		Cost of Services			
14,460	0	14,460	15,639	0	15,639
		Other Operating Expenditure (Note 11)			
36,499	(13,860)	22,639	36,842	(15,535)	21,307
		Financing and Investment Income and Expenditure (Note 12)			
11,889	(253,154)	(241,265)	11,046	(250,786)	(239,741)
		Taxation and Non Specific Grant Income (Note 13)			
574,343	(578,603)	(4,260)	599,323	(588,432)	10,892
		(Surplus) / Deficit on Provision of Services			
		(78,715)			(86,500)
		(Surplus) / deficit on revaluation of Property, Plant and Equipment (Note 24)			
		(147)			(128)
		(Surplus) / deficit on revaluation of available for sale financial assets (Note 24)			
		(74,176)			85,042
		Remeasurement of the net defined benefit liability / (asset) (Note 41)			
		(153,037)			(1,587)
		Other Comprehensive Income and Expenditure			
		(157,297)			9,305
		Total Comprehensive Income and Expenditure			

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.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016	(15,517)	(44,395)	(2,000)	(17,252)	(2,996)	(200)	(3,260)	(85,619)	(411,773)	(497,392)
Movement in reserves during 2016/17										
(Surplus) / deficit on the provision of services	20,130		(9,238)					10,892		10,892
Other Comprehensive Income / Expenditure									(1,587)	(1,587)
Total Comprehensive Income and Expenditure	20,130	0	(9,238)	0				10,892	(1,587)	9,305
Adjustments between accounting basis and funding basis under regulations (Note 9)	(30,229)		4,919		(3,478)	0	800	(27,988)	27,988	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(10,099)	0	(4,319)	0	(3,478)	0	800	(17,096)	26,401	9,305
Transfers (to) / from Earmarked Reserves (Note 10)	10,047	(10,047)	4,319	(4,319)				0		0
(Increase) / Decrease in 2016/17	(52)	(10,047)	0	(4,319)	(3,478)	0	800	(17,096)	26,401	9,305
Balance at 31 March 2017	(15,569)	(54,442)	(2,000)	(21,571)	(6,474)	(200)	(2,459)	(102,715)	(385,372)	(488,087)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	(15,167)	(43,250)	(2,000)	(18,357)	(3,451)	(200)	(13,580)	(96,005)	(244,094)	(340,099)
Movement in reserves during 2015/16										
(Surplus) / deficit on the provision of services	29,437		(33,697)					(4,260)		(4,260)
Other Comprehensive Income / Expenditure									(153,034)	(153,034)
Total Comprehensive Income and Expenditure	29,437	0	(33,697)	0				(4,260)	(153,034)	(157,294)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(30,930)		34,801		455	0	10,320	14,646	(14,646)	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(1,493)	0	1,104	0	455	0	10,320	10,386	(167,680)	(157,294)
Transfers (to) / from Earmarked Reserves (Note 10)	1,144	(1,144)	(1,104)	1,104				0		0
Increase or Decrease in 2015/16	(349)	(1,144)	0	1,104	455	0	10,320	10,386	(167,680)	(157,294)
Balance at 31 March 2016	(15,516)	(44,394)	(2,000)	(17,253)	(2,996)	(200)	(3,260)	(85,619)	(411,774)	(497,393)

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 to 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 2016 £'000		Note	31 March 2017 £'000
1,193,334	Property, Plant and Equipment	14	1,309,583
8,670	Intangible Assets	15	12,185
5,150	Long Term Investments	16	5,279
549	Long Term Debtors	16	491
1,207,703	Long Term Assets		1,327,538
564	Short-term Investments	16	1,007
173	Assets Held for Sale	20	6
98	Inventories	17	90
54,700	Short Term Debtors	18	44,726
409	Cash and Cash Equivalents	19	4,263
55,944	Current Assets		50,093
(63,683)	Short-Term Borrowing	16	(73,430)
(48,071)	Short-Term Creditors	21	(59,791)
(5,677)	Provisions	22	(6,101)
(117,431)	Current Liabilities		(139,321)
(274,146)	Long Term Borrowing	16	(274,279)
(335,814)	Other Long-Term Liabilities	38 & 41	(433,016)
(38,863)	Grants Receipts in Advance – Capital	34	(42,927)
(648,823)	Long Term Liabilities		(750,222)
497,393	Net Assets		488,087
(85,619)	Usable Reserves	23	(102,715)
(411,774)	Unusable Reserves	24	(385,372)
(497,393)	Total Reserves		(488,087)

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.

2015/16 £		Note	2016/17 £
(4,260)	Net (surplus) / deficit on the provision of services		10,892
(45,959)	Adjustment to (surplus) / deficit on the provision of services for noncash movements	25	(76,772)
37,116	* Adjustment for items included in the net (surplus) / deficit on the provision of services that are investing or financing activities	25	55,851
(13,103)	Net cash flows from operating activities		(10,029)
37,516	* Net cash flows from investing activities	26	17,026
(23,023)	Net cash flows from financing activities	27	(10,852)
1,390	Net (increase) or decrease in cash and cash equivalents		(3,854)
1,799	Cash and cash equivalents at the beginning of the reporting period		409
409	Cash and cash equivalents at the end of the reporting period	19	4,263

* To conform with CIPFA's Code of Practice, interest has been included in Net Operating Activities instead of Investing Activities in 2016/17 although the figures for 2015/16 have been left unchanged from last year's published accounts.

These financial statements replace the unaudited financial statements approved at the meeting of the Audit Committee on 29 June 2017.

Authorised for issue 27 September 2017

C Warboys

Director of Resources &
Section 151 Officer

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Note 1 - Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice (SeRCOP) 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Acquisitions and Discontinued Operations

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

iv. Cash and Cash Equivalents

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

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

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement

equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

viii. Employee Benefits

- Benefits Payable During Employment

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

- Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

- Post-employment Benefits

Employees of the Council are members of one of the three following pension schemes:

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

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

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions and the Public Health line charged with contributions payable to the NHS Pension Scheme in the year

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond each year end as prescribed by IAS19.
- The assets of the Fund attributable to the Council are included at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – market value (professional estimate);
 - unitised securities – current bid price;
 - property – market value (professional estimate).

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
 - net interest on the net defined benefit liability (asset), i.e., net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - contributions paid to the Pension Fund – cash paid as employer’s contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund

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

ix. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

x. Financial Instruments

- Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a

restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

- Financial Assets

The Council holds two types of financial assets:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

Available-for-Sale Assets

Available-for-Sale Assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable

payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

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

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

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

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

xi. Government Grants and Contributions

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

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

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

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

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

xii. Heritage Assets

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

xiii. Intangible Assets

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

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

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

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

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

xiv. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xv. Leases

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

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

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

- The Council as Lessee

Operating Leases

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

- The Council as Lessor

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

xvi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services, for income generation or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

- Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it will yield future economic benefits or service potential to the Council for more than one financial year and the cost can be reliably measured. This will include costs and fees incurred on capital projects, which are under construction at the year end, where it can be shown that either a new asset will be created or an existing asset enhanced. All other expenditure on assets (i.e., repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as an expense when it is incurred.

These also include assets under finance leases and private finance initiatives which have been capitalised and included in the Balance Sheet at a value that reflects the Council's obligation to meet future rental payments.

The Council sets a £2K de-minimis level for capital spending / capital accounting purposes and spending below this limit is charged to service revenue accounts within the Comprehensive Income and Expenditure Statement, unless the spending forms part of a larger capital scheme.

- Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it was located.

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

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

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

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

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

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

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

Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment / Revaluation Losses

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

Where impairment losses are identified, they are accounted for as follows:

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

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

- Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and Community Assets) and assets that are not yet available for use (i.e., Assets under Construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset;
- infrastructure – straight-line allocation over 30 years.

Where a financially material item of Property, Plant and Equipment (PPE) over £1M in Net Book Value has major components over £250K of the asset value, the components will be depreciated separately where the useful life is substantially different and the calculated depreciation can also be shown to be significantly different. Individual PPE assets with a Net Book Value of less than and including £1M will be classed as de-minimis and be excluded from the requirement to be componentised. Given that residential units are valued and reported individually, the Council does not componentise its HRA dwellings on the basis that the value for any single Council dwelling does not exceed £1M.

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

- Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not re-classified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10K are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. Private Finance Initiatives (PFI) and Similar Contracts

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

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

Non-Current Assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council. The full liability related to the PFI is held on the Balance Sheet as a long term liability.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of 7.2% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- life-cycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xix. Provisions, Contingent Liabilities and Contingent Assets

- Provisions

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

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

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

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

- Contingent Liabilities

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

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

- Contingent Assets

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

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

xx. Reserves

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

Certain reserves are kept to manage the accounting processes for Non-Current Assets, financial instruments, local taxation, retirement and employee benefits and

do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxi. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

xxii. VAT

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

xxiii. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

Note 2 - Accounting Standards Issued, Not Adopted

The Council is required to disclose information relating to the probable impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code of Practice. The accounting changes introduced in the 2017/18 Code relate to an amendment to the reporting of pension fund scheme transaction costs, and an amendment to the reporting of investment concentration. Neither of these is expected to have a material impact on the Council and will not require a restatement of this year's financial statements in 2017/18.

Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has made the following critical judgements about complex transactions or those involving uncertainty about future events.

Uncertainty about future levels of government funding

There is a degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Deposits or investments with financial institutions

The Council has no deposits with any financial institutions that are in administration and has no evidence at the Balance Sheet date to suggest any treasury investment counterparties of the Council will enter into administration.

Controlling influence with other organisations

A number of Councillors represent the Council on the Boards of external organisations. The Council has determined that it does not have a controlling influence in any of these organisations.

Depreciation and componentisation

As financially material assets are re-valued or attract capital expenditure, the Council assesses these assets with a view to splitting them into their material components, where there may be a significant impact on how the asset is depreciated. Where the asset is not financially material or any component does not amount to over £250K, the asset is not split as any effect on depreciation is immaterial to the financial statements. Where a financially material item of Property, Plant and Equipment over £1.0M in value has major components over £250K of the asset value, the components will be depreciated separately where the useful life is substantially different and the calculated depreciation can also be shown to be significantly different.

Leases at peppercorn or minimal payments

The Council has a number of leases where the land element of the asset is leased at peppercorn or minimal rent. These leases may be of a significant length which may potentially render the lease a finance lease under accounting rules. However, where assets are valued in their existing use under accounting regulations, a key determinant of value is the amount of lease payments and as these are of immaterial rental amounts, the Council has not considered such agreements as finance leases.

Lease arrangements where the Council is the lessee or lessor are assessed to determine whether the lease is a finance lease or an operating lease. Lease arrangements which are not financially material are all treated as operating leases.

Heritage assets

Heritage Assets held by the Council are not financially material in value and therefore are not separately disclosed from Property, Plant and Equipment.

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

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

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

Property, Plant and Equipment Assets are valued by professional staff qualified by the Royal Institute of Chartered Surveyors (RICS). Nevertheless, there is an inherent element of subjectivity with any asset valuation.

The value of an asset and its estimated useful economic life determine the depreciation charged to the Comprehensive Income and Expenditure Statement. If the useful lives of all assets are overstated by 1 year, depreciation would increase by £1.6M.

Pension Liabilities

There are a large number of variable factors used when calculating future pension liabilities, e.g., mortality ratios and future economic conditions. An independent actuary estimates the values within the Balance Sheet.

If any of the factors used to calculate the net pension liability are incorrect, there would be an impact on the balance sheet and the Comprehensive Income and Expenditure Statement.

A 1% increase in the net pension liability would represent an increase of £4.2M charged to the Comprehensive Income and Expenditure Statement, reversed out to the Pension Reserve as per regulations.

Non-Domestic Rates (NDR) Appeals

The Council has set aside a provision to cover successful appeals lodged against NDR banding with the Valuations office, based on a professional estimate of outstanding appeals.

If the provision is incorrect, there would be an impact on the Collection Fund balance. Any impact would be split between the Council and preceptors, with 49% of this amount impacting the Council.

Note 5 - Material Items of Income and Expense

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items are set out below:

Arlesey Nursery, The Lawns Nursery and Brigham Pre-School were leased to Academy schools in 2016/17 which resulted in a transfer of Property, Plant and Equipment non current assets valued at £1.8M from the Council's Balance Sheet.

Note 6 - Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Director of Resources (Section 151 Officer) on 29 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events known to the Council which would need to be registered as events after the Balance Sheet date.

Note 7 - Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to the General Fund and HRA	2015/16		Net Expenditure in the Comprehensive Income and Expenditure Statement	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£000	£000	£000	£000	£000	£000	£000
68,996	3,481	72,477	Social Care, Health & Housing	75,654	(308)	75,346
55,054	838	55,892	Children's Services	54,378	1,486	55,864
42,682	36,135	78,817	Community Services	45,977	18,937	64,913
7,100	3,857	10,957	Regeneration & Business Support	6,247	3,684	9,931
(53)	24	(29)	Public Health	(187)	(13)	(201)
8,333	1,108	9,441	Chief Executives	7,790	1,359	9,148
8,532	770	9,302	Resources	11,490	(115)	11,375
3,620	(10,611)	(6,991)	Corporate Costs	2,792	(12,730)	(9,938)
(15,447)	21,875	6,428	Schools	(18,212)	23,722	5,510
(2,876)	(33,510)	(36,386)	Landlord Business (HRA)	(8,242)	(20)	(8,263)
175,941	23,965	199,906	Net Cost of Services	177,685	36,001	213,686
(176,289)	(27,876)	(204,166)	Other Income and Expenditure	(177,737)	(25,057)	(202,794)
(349)	(3,911)	(4,260)	(Surplus) / Deficit on Provision of Services	(52)	10,944	10,892
(78,774)			Opening Combined General Fund and HRA Balance	(79,164)		
(349)			Plus / less (Surplus) or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	(52)		
(41)			Transfers (to) / from other Reserves	(14,366)		
(79,164)			Closing Combined General Fund and HRA Balance	(93,582)		

Note 7A – Note to the Expenditure and Funding Analysis

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	2016/17 Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Social Care, Health & Housing	3,855	(123)	(5)	(4,034)	(308)
Children's Services	199	(106)	(127)	1,520	1,486
Community Services	21,794	(85)	(40)	(2,732)	18,937
Regeneration & Business Support	3,723	(53)	14	0	3,684
Public Health	0	(3)	(10)	0	(13)
Chief Executives	1,375	(25)	8	0	1,359
Resources	7	(63)	(60)	0	(115)
Corporate Costs	22	351	0	(13,103)	(12,730)
Schools	23,035	(198)	775	110	23,722
Landlord Business (HRA)	7,994	(22)	0	(7,992)	(20)
Net Cost of Services	62,004	(327)	555	(26,231)	36,001
Other Income and Expenditure	(37,230)	11,207	3,511	(2,545)	(25,057)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	24,774	10,880	4,066	(28,776)	10,944

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	2015/16 Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Social Care, Health & Housing	3,021	536	14	(90)	3,481
Children's Services	202	628	8	0	838
Community Services	36,042	343	(513)	263	36,135
Regeneration & Business Support	3,632	221	(10,551)	10,555	3,857
Public Health	0	14	(13,626)	13,636	24
Chief Executives	1,216	142	(13)	(238)	1,107
Resources	884	275	(58)	(331)	770
Corporate Costs	7	(153)	(10,555)	90	(10,611)
Schools	23,673	805	(4,753)	2,150	21,875
Landlord Business (HRA)	(19,975)	91	(13,627)	0	(33,510)
Net Cost of Services	48,702	2,903	(53,674)	26,035	23,966
Other Income and Expenditure	(38,816)	12,194	(1,823)	569	(27,877)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	9,886	15,097	(55,498)	26,604	(3,911)

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 8 - Expenditure Analysed by Nature

2015/16		2016/17
£000	Nature of Expenditure or Income	£000
(107,002)	Fees, charges and other service income	(111,917)
(569)	Support service recharge income	(542)
(328)	Interest and investment income	(620)
(164,625)	Income from local taxation	(174,003)
(284,657)	Government grants and contributions	(282,742)
159,601	Employee benefits expenses	164,096
569	Support service recharge expenditure	542
334,064	Other service expenses	344,678
21,260	Depreciation, amortisation and impairment	33,834
22,967	Interest payments	21,927
10,823	Precepts and levies	11,386
529	Payments to Housing Capital Receipts Pool	517
3,108	Gain or loss on disposal of non-current assets	3,736
(4,260)	(Surplus) or Deficit for Year	10,892

Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance:

The General Fund balance is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities, the balance is not available to be applied to funding Housing Revenue Account (HRA) services.

Housing Revenue Account Balance:

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve:

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve:

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied:

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2016/2017	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£	£	£	£	£	£
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(10,555)	(325)				10,880
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(48)	0				48
Council tax and NDR (transfers to or from the Collection Fund)	(966)					966
Holiday pay (transferred to the Accumulated Absences reserve)	(555)					555
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(28,419)	(10,102)			0	38,521
Total Adjustments to Revenue Resources	(40,542)	(10,427)	0	0	0	50,969

Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,910	7,354	(14,263)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(517)		517			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		4,567		(4,567)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,648					(1,648)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,273	3,425				(5,698)
Total Adjustments between Revenue and Capital Resources	10,314	15,346	(13,746)	(4,567)	0	(7,346)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			10,268			(10,268)
Use of the Major Repairs Reserve to finance new capital expenditure				4,567		(4,567)
Application of capital grants to finance capital expenditure					800	(800)
Total Adjustments to Capital Resources	0	0	10,268	4,567	800	(15,636)
Total Adjustments	(30,229)	4,919	(3,478)	0	800	27,988

2015/2016	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£	£	£	£	£	£
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(14,642)	(455)				15,097
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	1,649					(1,649)
Council tax and NDR (transfers to or from the Collection Fund)	1,824					(1,824)
Holiday pay (transferred to the Accumulated Absences reserve)	464					(464)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(32,956)	18,447			(620)	15,129
Total Adjustments to Revenue Resources	(43,661)	17,991	0	0	(620)	26,289
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,981	3,174	(5,155)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(529)		529			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		3,946		(3,946)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	8,867					(8,867)

Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,413	9,690				(12,103)
Total Adjustments between Revenue and Capital Resources	12,731	16,809	(4,625)	(3,946)	0	(20,970)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			5,081			(5,081)
Use of the Major Repairs Reserve to finance new capital expenditure				3,946		(3,946)
Application of capital grants to finance capital expenditure					10,940	(10,940)
Total Adjustments to Capital Resources	0	0	5,081	3,946	10,940	(19,966)
Total Adjustments	(30,929)	34,800	455	0	10,320	(14,646)

Note 10 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

	Balance at 1 April 2015	Transfers In 2015/16	Transfers Out 2015/16	Balance at 31 March 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Redundancy Reserve	(1,488)	(500)	1,328	(660)	(500)	772	(388)
Insurance Reserve	(4,280)	(294)	520	(4,054)	(1,536)	1,095	(4,495)
Other Corporate Reserves	(9,024)	(8,672)	5,051	(12,643)	(11,091)	0	(23,734)
Environmental Reserves	(3,992)	(1,278)	458	(4,812)	(3,117)	833	(7,096)
School Specific Contingency	(4,080)	(2,267)	3,237	(3,110)	0	1,669	(1,441)
Other Children's Services	(1,871)	(15)	1,008	(878)	(260)	111	(1,027)
Outcome-based Commissioning	(3,239)	0	753	(2,486)	0	578	(1,908)
Social Care, Health and Housing Reserves	(2,093)	(113)	917	(1,289)	(194)	140	(1,343)
Public Health Reserves	(1,496)	(50)	0	(1,546)	(239)	0	(1,785)
Schools Reserve	(11,689)	(1,227)	0	(12,916)	0	1,692	(11,224)
Total General Fund	(43,250)	(14,416)	13,272	(44,394)	(16,937)	6,890	(54,442)
Housing Revenue Account Reserves:							
Independent Living Development Reserve	(11,962)	(4,116)	7,074	(9,004)	(7,190)	1,296	(14,898)
Strategic Reserve	(6,394)	(3,372)	1,517	(8,249)	0	1,575	(6,673)
Total Housing Revenue Account	(18,356)	(7,488)	8,591	(17,253)	(7,190)	2,871	(21,571)
Total Earmarked Reserves	(61,606)	(21,904)	21,863	(61,647)	(24,127)	9,761	(76,012)

Note 11 - Other Operating Expenditure

2015/16 £000		2016/17 £000
10,154	Precepts	10,705
669	Levies	681
529	Payments to the Government Housing Capital Receipts Pool	517
3,108	Gains/losses on the Disposal of Non-Current Assets	3,736
14,460	Total Other Operating Expenditure	15,639

Note 12 - Financing and Investment Income and Expenditure

2015/16		2016/17
10,773	Interest payable and similar charges	10,720
12,194	Net interest on the net defined benefit liability (asset)	11,207
(357)	Interest receivable and similar income	(353)
29	Other investment income and expenditure	(267)
22,639	Total	21,307

Note 13 - Taxation and Non-Specific Grant Income

2015/16 £000		2016/17 £000
(136,616)	Council tax income	(142,800)
(28,010)	Non-domestic rates income and expenditure	(31,204)
(34,096)	Non-ringfenced government grants	(24,149)
(42,543)	Capital grants and contributions	(41,588)
(241,265)	Total	(239,741)

Note 14 - Property, Plant and Equipment

Movements to 31 March 2017

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2016	415,692	502,106	32,387	307,196	2,678	4,407	35,727	1,300,193
Additions	10,072	18,766	5,614	32,109	139	54	17,128	83,882
Revaluation increases/(decreases) recognised in the Revaluation Reserve	30,245	41,439	0	0	0	3,375	4,671	79,729
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,985)	(3,026)	0	0	0	314	0	(7,697)
Derecognition – disposals	(2,130)	(18,607)	(112)	0	(16)	0	0	(20,865)
Reclassifications and transfers	477	(19,264)	1,117	23,077	1,880	18,120	(28,855)	(3,449)
Balance as at 31 March 2017	449,370	521,414	39,005	362,382	4,681	26,269	28,671	1,431,793
Accumulated Depreciation and Impairment								
Balance as at 1 April 2016	(10)	(16,783)	(18,682)	(71,553)	(3)	172	0	(106,859)
Depreciation charge	(4,470)	(9,595)	(1,911)	(11,049)	(12)	(111)	0	(27,147)
Depreciation written out to the Revaluation Reserve	2,958	3,814	0	0	0	0	0	6,771
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,529	464	0	0	0	0	0	1,993
Derecognition – disposals	22	2,944	66	0	0	0	0	3,032
Reclassifications and transfers	(3)	1,435	45	(9)	(695)	(774)	0	0
Balance as at 31 March 2017	25	(17,722)	(20,481)	(82,610)	(710)	(713)	0	(122,210)

Net Book Value

Balance as at 31 March 2017	449,395	503,693	18,524	279,772	3,971	25,557	28,671	1,309,583
Balance as at 31 March 2016	415,681	485,009	13,705	235,643	2,675	4,893	35,727	1,193,333

Movements to 31 March 2016

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Balance as at 1 April 2015	358,508	365,946	26,341	286,177	2,575	181	28,071	1,067,799
Additions	15,960	26,763	5,534	21,018	108	0	14,547	83,930
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22,094	56,792	0	0	0	(28)	(143)	78,715
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	23,926	(18,940)	0	0	(5)	(1,824)	0	3,157
Derecognition – disposals	(2,381)	(5,923)	(59)	0	0	0	0	(8,363)
Reclassifications and transfers	1,450	82,861	571	0	0	6,983	(6,748)	85,117
Other movements in cost or valuation	(3,865)	(5,705)				(591)		(10,161)
Balance as at 31 March 2016	415,692	501,794	32,387	307,195	2,678	4,721	35,727	1,300,194
Accumulated Depreciation and Impairment								
Balance as at 1 April 2015	(13)	(14,510)	(17,318)	(61,332)	(3)	1	0	(93,176)
Depreciation charge	(3,864)	(8,444)	(1,422)	(10,220)	0	(2)	0	(23,951)
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,865	5,705	0	0	0	591	0	10,161
Derecognition – disposals	1	112	58	0	0	0	0	171

Reclassifications and transfers	0	352	0	0	0	(418)	0	(66)
Balance as at 31 March 2016	(11)	(16,785)	(18,681)	(71,552)	(3)	172	0	(106,861)
Net Book Value								
Balance as at 31 March 2016	415,681	485,009	13,705	235,643	2,675	4,893	35,727	1,193,333
Balance as at 31 March 2015	358,495	351,436	9,022	224,845	2,572	182	28,071	974,623

Depreciation:

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

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

Capital Commitments:

As at 31 March 2017, the Council had entered into a contract for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £6.7M. The capital commitment relates to a Broadband Extension Project.

Revaluations:

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. In addition, a revaluation loss and material change review was undertaken at the 31 March 2017. All valuations, except Council dwellings, were carried out internally. Council Dwelling valuations are provided by the external Chartered Surveyors Wilks Head & Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

The significant assumptions applied in estimating the fair values are:

- Good freehold title to the properties owner occupied, held as investments, or surplus to requirements
- Good adequate leasehold or other short-term tenure for the properties held leasehold for operational purposes
- Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings
- Building structures, electrical heating and building service apparatus are in good repair and condition
- No contaminative or potential contaminative uses have ever been carried out in any of the properties
- For Depreciated Replacement Cost purposes that planning permission would be received without onerous or unusual conditions for alternative uses on the built area
- That repairs and maintenance expenditure is at an acceptable level and there is no significant backlog.

Note 15 - Intangible Assets

The Council accounts for its IT software as Intangible Assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Intangible Assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 10 years as standard.

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £1.0M charged to revenue in 2016/17 (£0.5M in 2015/16) was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services.

The movement on Intangible Asset balances during the year is as follows:

31st March 2016		31st March 2017
Total £000		Total £000
Balance at start of year:		
18,393	Gross carrying amounts	18,708
(9,572)	Accumulated amortisation	(10,039)
<hr/>		
8,821	Net carrying amount at start of year	8,670
Additions:		
315	Purchases	1,050
0	Reclassifications and transfers	3,449
(466)	Amortisation for the period	(983)
<hr/>		
8,670	Net carrying amount at end of year	12,185
Comprising:		
18,708	Gross carrying amounts	23,206
(10,039)	Accumulated amortisation	(11,022)
<hr/>		
8,670		12,185

Note 16 - Financial Instruments

Financial Instruments

	Long-term 31 March 2016 £000	Long-term 31 March 2017 £000	Current 31 March 2016 £000	Current 31 March 2017 £000
Investments				
Loans and receivables	0	0	564	1,007
Available-for-sale financial assets	5,150	5,279	0	0
Total investments	5,150	5,279	564	1,007
Debtors				
Loans and receivables	549	491	0	0
Financial assets carried at contract amounts			36,148	17,529
Total included in Debtors	549	491	36,148	17,529
Borrowings				
Financial liabilities at amortised cost	(274,146)	(274,279)	(63,683)	(73,430)
Total included in Borrowings	(274,146)	(274,279)	(63,683)	(73,430)
Other Long Term Liabilities				
PFI and finance lease liabilities	(15,252)	(16,532)		
Total other long term liabilities	(289,398)	(290,811)		
Creditors				
Financial liabilities carried at contract amount			(44,673)	(47,790)
Total Creditors	0	0	(44,673)	(47,790)

Income, Expense, Gains and Losses

	2017				
	Financial Liabilities: Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Interest expense	10,697	0	0	0	10,697
Fee expense	23	0	0	0	23
Total expense in Surplus or Deficit on the Provision of Services	10,720	0	0	0	10,720
Interest income	-	(66)	(274)	0	(339)
Total income in Surplus or Deficit on the Provision of Services	0	(66)	(274)	0	(339)
Gains on revaluation	-	-	(128)	-	(128)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(128)	-	(128)
Net (gain)/loss for the year	10,720	(66)	(402)	0	10,252
	2016				
	Financial Liabilities: Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Interest expense	10,762	0	0	0	10,762
Fee expense	11	0	0	0	11
Total expense in Surplus or Deficit on the Provision of Services	10,773	0	0	0	10,773
Interest income	-	(357)	0	0	(357)
Total income in Surplus or Deficit on the Provision of Services	0	(357)	0	0	(357)
Gains on revaluation	-	-	(146)	-	(146)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(146)	-	(146)
Net (gain)/loss for the year	10,773	(357)	(146)	0	10,270

Note 16a - Financial Instruments - Fair Value

Financial Assets Measured at Fair Value

Recurring Fair Value Measurements - Available for sale:

	31 March 2016	31 March 2017
	£'000	£'000
Lime Fund	5,150	5,279
Money Market Funds	0	6,000
Balance 31 March	5,150	11,279

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are required)

Financial Liabilities

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities held at Amortised Cost	(337,829)	(380,602)	(347,709)	(417,881)
PFI and finance lease liabilities	(15,733)	(21,526)	(17,243)	(25,898)
Total	(353,562)	(402,128)	(364,952)	(443,779)

Financial Assets

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	564	564	1,007	1,007
Long-Term Debtors	549	549	491	491
Total	1,113	1,113	1,498	1,498

Note 17 - Inventories

A breakdown of the Council's inventories is given below:

	Community Equipment Service	
	2015/16 £000	2016/17 £000
Balance outstanding at start of year	0	98
Purchases	98	0
Written-off balances	0	(7)
Balance Outstanding at Year End	98	90

Note 18 - Debtors

31 March 2016 £000		31 March 2017 £000
6,148	Central Government Bodies	7,602
2,960	Other Local Authorities	2,940
2,592	NHS Bodies	2,403
43,000	Other Entities and Individuals	31,781
54,700	Total Debtors	44,726

* Debtors are presented net of an impairment allowance in respect of uncollectable debts.

Note 19 - Cash and Cash Equivalents

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

31 March 2016 £000		31 March 2017 £000
(7,388)	Cash and Bank balances	(3,981)
0	Short Term Investments	6,000
7,797	Short Term Deposits	2,244
409	Total Cash and Cash Equivalents	4,263

* The overdrawn position in respect of bank accounts reflects outstanding BACS and cheque payments.

Note 20 - Assets Held for Sale

Current		Current
31 March 2016		31 March 2017
£000		£000
173	Balance outstanding at start of year	173
	Assets newly classified as held for sale:	
100	Property Plant and Equipment	0
	Assets de-classified as held for sale:	
(70)	Assets sold	(167)
(30)	Other Movements	0
173	Balance Outstanding year end	6

Note 21 - Creditors

31 March 2016		31 March 2017
£'000		£'000
(1,302)	Central Government Bodies	(9,424)
(5,075)	Other Local Authorities	(4,842)
(86)	NHS Bodies	(2,127)
(41,608)	Other Entities and Individuals	(43,398)
(48,071)	Total Creditors	(59,791)

* Includes PFI short-term liability which had been separately shown in the Balance Sheet in 2015/16.

Note 22 – Provisions

Current Provisions

2016/17	Outstanding legal cases	Insurance provision	Other provisions	Total
	£000	£000	£000	£000
Opening Balance	(295)	(2,333)	(3,049)	(5,677)
Increase in provision during year	(504)	(1,212)	(3,450)	(5,167)
Utilised during year	38	357	3,285	3,680
Unused Amounts Reversed	47	854	162	1,064
Closing Balance	(714)	(2,334)	(3,052)	(6,101)

2015/16	Outstanding legal cases	Insurance provision	Other provisions	Total
	£000	£000	£000	£000
Opening Balance	0	(2,378)	(3,325)	(5,703)
Increase in provision during year	(295)	(1,406)	(646)	(2,347)
Utilised during year	0	359	636	995
Unused Amounts Reversed	0	1,091	287	1,378
Closing Balance	(295)	(2,334)	(3,048)	(5,677)

Outstanding Legal Cases:

The Council has provided for a number of specific ongoing legal cases.

Insurance Provision:

The Council has a number of injury and compensation claims in progress where the Council is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Council may have to incur costs and make settlement where any payments will not met by relevant insurance contracts.

Other Provisions:

Other provisions include the Council's share of Non Domestic Rates valuation appeals (£2.1M) and the cost of approved school closures (£0.4M).

Note 23 - Usable Reserves

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

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Receipts Reserve

31 March 2016		31 March 2017
£000		£000
(3,451)	Balance 1 April	(2,996)
(5,154)	Capital Receipts in year	(14,263)
528	Capital Receipts Pooled	517
5,081	Capital Receipts used for financing	10,268
(2,996)	Balance 31 March	(6,474)

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Major Repairs Reserve

31 March 2016		31 March 2017
£000		£000
(200)	Balance 1 April	(200)
(3,946)	Depreciation and Amortisation	(4,567)
3,946	Application to finance capital expenditure	4,567
(200)	Balance 31 March	(200)

Capital Grants Unapplied Account

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Capital Grants Unapplied

31 March 2016		31 March 2017
£000		£000
(13,580)	Balance 1 April	(3,260)
(620)	Capital grants recognised in year	0
10,940	Capital grants and contributions applied	800
(3,260)	Balance 31 March	(2,459)

Note 24 - Unusable Reserves

The table below provides a breakdown of the Council's Unusable Reserves included in the Movement in Reserves Statement. Unusable Reserves have no immediate impact on the current resources available to the Council, but do illustrate potential long term financial resourcing implications.

31 March 2016 £000		31 March 2017 £000
(180,576)	Revaluation Reserve	(263,823)
(150)	Available for Sale Financial Instruments Reserve	(279)
(550,790)	Capital Adjustment Account	(538,503)
(48)	Financial Instruments Adjustment Account	0
320,562	Pension Reserve	416,484
(2,780)	Collection Fund Adjustment Account	(1,814)
2,008	Accumulated Absences Account	2,563
(411,774)	Total	(385,372)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve

31 March 2016 £000		31 March 2017 £000
(91,966)	Balance 1 April	(180,575)
(88,664)	Upward revaluation of assets	(66,788)

9,952	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(19,712)
(78,712)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(86,500)
2,102	Difference between fair value depreciation and historical cost depreciation	3,072
171	Accumulated gains on assets sold or scrapped	180
2,273	Amount written off to the Capital Adjustment Account	3,252
(12,171)	Other movements to the Surplus or Deficit on Provision of Services	0
(180,576)	Balance 31 March	(263,823)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are either:

- revalued downwards or impaired and the gains are lost; or
- sold and the gains are realised.

Available for Sale Financial Instruments Reserve

31 March 2016		31 March 2017
£000		£000
(4)	Balance 1 April	(150)
(146)	Upward revaluation of investments	(128)
(150)	Balance 31 March	(279)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Non-Current Assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a

historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

Capital Adjustment Account

31 March 2016 £'000		31 March 2017 £'000
(534,881)	Balance 1 April	(550,790)
23,950	Charges for depreciation and impairment of non-current assets.	27,147
(3,131)	Revaluation losses on non-current assets	5,704
467	Amortisation of intangible assets	983
27,506	Revenue expenditure funded from capital under statute	28,275
8,261	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18,000
57,053	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	80,109
(2,273)	Adjusting Amounts Written out of the Revaluation Reserve	(3,252)
54,780	Net written out amount of the cost of non-current assets consumed in the year	76,856
(5,081)	Use of Capital Receipts Reserve to Finance new capital expenditure	(10,268)
(3,946)	Use of Major Repairs Reserve to finance new capital expenditure	(4,567)
(52,864)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(42,388)
(8,867)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,648)
(12,103)	Capital expenditure charged against the General Fund and HRA balances.	(5,698)
(82,861)	Capital financing applied in year:	(64,569)
12,171	Other movements	0
(550,790)	Balance 31 March	(538,503)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement.

Financial Instruments Adjustment Account

31 March 2016		31 March 2017
£000		£000
1,601	Balance 1 April	(48)
(1,649)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	48
(48)	Balance 31 March	0

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed given that the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve

31 March 2016		31 March 2017
£000		£000
379,640	Balance 1 April	320,562
(74,176)	Remeasurements of the net defined benefit (liability)/asset	85,042
34,648	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	30,913
(19,550)	Employers pensions contributions and direct payments to pensioners payable in the year	(20,033)
320,562	Balance 31 March	416,484

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account

31 March 2016		31 March 2017
£000		£000
(956)	Balance 1 April	(2,780)
(1,824)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	966
(2,780)	Balance 31 March	(1,814)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account

31 March 2016		31 March 2017
£000		£000
2,472	Balance 1 April	2,008
(2,472)	Settlement or cancellation of accrual made at the end of the preceding year	(2,008)
2,008	Amounts accrued at the end of the current year	2,563
(464)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	555
2,008	Balance 31 March	2,563

Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2016		31 March 2017
£'000		£'000
0	* Interest received	(345)
0	* Interest paid	10,613
0	* Total	10,268

The cash flows for operating activities include the following items:

31 March 2016		31 March 2017
£'000		£'000
(23,950)	Depreciation	(27,147)
3,130	Impairment and downward valuations	(5,704)
(467)	Amortisation	(983)
(1,835)	Increase/(decrease) in creditors	(13,326)
270	(Increase)/decrease in debtors	(168)
98	(Increase)/decrease in inventories	(7)
(15,097)	Movement in pension liability	(10,880)
(8,261)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(18,000)
153	Other non-cash movements charged to the surplus or deficit on provision of services	(556)
(45,959)	Total	(76,772)

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2016		31 March 2017
£'000		£'000
(10,581)	* Interest and investment income	0
5,154	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,263
42,543	Any other items for which the cash effects are investing or financing cash flows	41,588
37,116	Total	55,851

* To conform with CIPFA's Code of Practice, interest has been included in Net Operating Activities instead of Investing Activities in 2016/17 although the figures for 2015/16 have been left unchanged from last year's published accounts.

Note 26 - Cash Flow from Investing Activities

31 March 2016		31 March 2017
£'000		£'000
83,692	Purchase of property, plant and equipment, investment property and intangible assets	84,860
11,967	Purchase of short-term and long-term investments	4,005
10,591	* Other payments for investing activities	0
(5,154)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,263)
(11,969)	Proceeds from short-term and long-term investments	(3,505)
(51,611)	Other receipts from investing activities	(54,071)
37,516	Net cash flows from investing activities	17,026

* To conform with CIPFA's Code of Practice, interest has been included in Net Operating Activities instead of Investing Activities in 2016/17 although the figures for 2015/16 have been left unchanged from last year's published accounts.

Note 27 - Cash Flow from Financing Activities

31 March 2016		31 March 2017
£'000		£'000
(123,900)	Cash receipts of short-term and long-term borrowing	(290,760)
535	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	418
98,446	Repayments of short-term and long-term borrowing	280,992
1,895	Other payments for financing activities	(1,502)
(23,023)	Net cash flows from financing activities	(10,852)

Note 28 - Trading Operations

The Council has established four trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of these units are given as follows:

2015/16	Car Parks		2016/17
£000			£000
(1,355)	Income		(1,684)
1,074	Expenditure		1,242
(281)	Net (Surplus) / Deficit for Year		(442)

2015/16	Building Control		2016/17
£000			£000
(736)	Income		(710)
692	Expenditure		610
(44)	Net (Surplus) / Deficit for Year		(100)

2015/16	Albion Archaeology		2016/17
£000			£000
(1,648)	Income		(2,035)
1,915	Expenditure		2,210
267	Net (Surplus) / Deficit for Year		175

2015/16	Leighton Buzzard Theatre		2016/17
£000			£000
(255)	Income		(228)
342	Expenditure		328
87	Net (Surplus) / Deficit for Year		100

2015/16	Trading Operations Total Income and Expenditure:		2016/17
£000			£000
(3,994)	Income		(4,657)
4,023	Expenditure		4,390
29	Net (Surplus) / Deficit for Year		(267)

2015/16	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement:		2016/17
£000			£000
29	Net (surplus) on trading operations		(267)
29	Net (surplus) / deficit included in Financing and Investment Income and Expenditure		(267)

Note 29 - Pooled Budgets and Partnership Arrangements

PARTNERSHIP ARRANGEMENTS

Better Care Fund:

Effective since April 2015, the Council has entered into a partnership arrangement with NHS Bedfordshire Clinical Commissioning Group in accordance with Section 75 of the National Health Service Act 2006. Central Bedfordshire Council provides financial management for this partnership arrangement.

The Better Care Fund (BCF) is a policy initiative between local authorities, CCGs and NHS providers which has resulted in funds being used to jointly commission or deliver health and social care. Apart from the integrated equipment store arrangements, the terms of the Section 75 agreement means that contracts are stand-alone with the financial risk being retained by the lead body. In relation to the equipment store, the arrangement is hosted by the Council and accounted for as a pooled budget.

The Clinical Commissioning Group and Central Bedfordshire Council have signed a Framework Partnership Agreement relating to the BCF and commissioning of health and social care services. The agreement has established a Partnership Board with joint membership from each organisation. The Partnership Board determines which schemes are funded in the locality. Each partner then manages the contracts with their own providers of BCF services and each partner retains any financial risk relating to those contracts.

2015/16	Better Care Fund	2016/17
£000		£000
(4,607)	Central Bedfordshire Council	(10,313)
(14,100)	Bedfordshire Clinical Commissioning Group	(10,221)
(18,707)	Total Pooled Funding	(20,534)
9,275	Central Bedfordshire Council	9,055
8,906	Bedfordshire Clinical Commissioning Group	10,221
18,181	Expenditure	19,276
(526)	Net Surplus/Deficit on the Pooled Budget	(1,258)
(263)	The Council's Share of the Net Surplus / Deficit	(629)

POOLED BUDGETS

Bedfordshire Community Equipment Service:

Central Bedfordshire Council (CBC) has entered into a pooled budget arrangement with Bedford Borough Council (BBC) and Bedfordshire Clinical Commissioning Group (BCCG) for the provision of community equipment services to meet the needs of people living in the geographical area. During 2016/17 the Council continued responsibility for hosting the pooled budget.

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

The pooled budget is hosted by the Council on behalf of the three partners to the agreement.

2015/16	Bedfordshire Community Equipment Service		2016/17
£000			£000
(428)	Central Bedfordshire Council		(461)
(256)	Bedford Borough Council		(273)
(1,260)	Bedfordshire Clinical Commissioning Group		(1,344)
(1,944)	Total Pooled Funding		(2,078)
	Expenditure:		
1,944	Central Bedfordshire Council		2,078
0	Net Surplus/Deficit on the Pooled Budget		0

Note 30 - Members' Allowances

The Council paid the following amounts to Members of the Council during the year:

31 March 2016		31 March 2017
£'000		£'000
1,078	* Salaries	1,065
116	Expenses	112
1,194	Total Members' Allowances	1,177

* Salaries figure includes employer's national insurance and superannuation contributions

Note 31 - Officers' Remuneration

Senior Officers are defined by the Council as any officer at Director level or above. During 2016/17, this classification included the Chief Executive and seven Directors

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

Officers Remuneration

2016/17		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£0	£0	£0	£0	£0
Chief Executive (R Carr)	2016/17	183,113	1,457	0	45,595	230,165
	2015/16	181,300	1,193	0	45,144	227,637
Director of Children's Services (S Harrison)	2016/17	146,450	748	0	36,466	183,664
	2015/16	145,000	808	0	36,105	181,913
Director of Social Care, Health & Housing (J Ogle)	2016/17	146,450	1,699	0	36,466	184,615
	2015/16	145,000	1,373	0	36,104	182,477
Director of Resources (C Warboys)	2016/17	117,050	1,073	0	29,145	147,268
	2015/16	110,000	853	0	27,390	138,243
Director of Community Services (M Coiffait)	2016/17	117,050	528	0	29,145	146,723
	2015/16	110,000	574	0	27,390	137,964
Director of Improvement & Corporate Services (D Broadbent-Clarke)	2016/17	34,050	167	63,287	0	97,504
	2015/16	132,692	597	0	0	133,289
Chief Legal & Democratic Services Officer (M Clay)	2016/17	0	0	0	0	0
	2015/16	39,579	0	0	9,855	49,434
Director of Regeneration & Business Support (J Longhurst)	2016/17	115,550	2,685	0	28,772	147,007
	2015/16	110,000	1,626	0	27,390	139,016

Director of Public Health (M Scott)	2016/17	101,182	2,994	0	25,734	129,910
	2015/16	100,669	3,167	0	25,604	129,440
Total	2016/17	960,895	11,351	63,287	231,323	1,266,856
	2015/16	1,074,240	10,191	0	234,982	1,319,413

Deb Broadbent-Clarke - Director of Improvement & Corporate Services left the Council on 30th June 2016.

Charles Warboys – Director of Resources was appointed to this new position on 1st October 2016, having previously been the Chief Finance Officer.

Muriel Scott - Director of Public Health is funded by Central Bedfordshire Council, Bedford Borough Council and Milton Keynes Council. Central Bedfordshire Council's element is a total remuneration of £52,671.

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

Senior Employees Remuneration

	2015/16	2016/17
£50,001 to £55,000	63	51
£55,001 to £60,000	40	58
£60,001 to £65,000	33	36
£65,001 to £70,000	26	21
£70,001 to £75,000	6	8
£75,001 to £80,000	5	6
£80,001 to £85,000	4	3
£85,001 to £90,000	6	6
£90,001 to £95,000	4	1
£95,001 to £100,000	2	4
£100,001 to £105,000	2	3
Total	191	197

The above 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).

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0-£20,000	35	22	18	5	53	27	319,000	116,000
£20,001 - £40,000	6	6	7	0	13	6	329,000	155,000
£40,001 - £60,000	0	1	0	1	0	2	0	90,000
£60,001 - £200,000	1	1	1	2	2	3	130,000	312,000
Total	42	30	26	8	68	38	778,000	673,000

The table above 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 includes all benefits on termination, e.g., redundancy, pay in lieu of notice, severance and actuarial strain.

Note 32 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

2015/16		2016/17
£000		£000
149	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	139
42	* Fees payable in respect of other services provided by external auditors during the year	36
191	Total	175

* The fees for other services payable in both 2015/16 and 2016/17 related to Teachers Pensions End of Year Certification (EOYC), grant claims and returns certification.

Note 33 - Dedicated Schools Grant

Notes	DSG Receivable for 2016/17	Central Expenditure	Individual Schools Budget	Total
		£000	£000	£000
A	Final DSG for year before Academies recoupment			195,435
B	Academy figure recouped for year			(92,506)
C	Total DSG after academy recoupment			102,929
D	Plus: Brought forward from previous year			3,109
E	Less: Carry forward to following year (agreed in advance)			0
F	Agreed initial budgeted distribution in year	22,324	83,713	106,038
G	In year adjustments	(1,721)	649	(1,071)
H	Final budget distribution for year	20,604	84,363	104,966
I	Less: Actual central expenditure	(19,162)		(19,162)
J	Less: Actual ISB deployed to schools		(84,363)	(84,363)
K	Plus: Local Authority contribution for year	0	0	0
L	Carry forward to 2017/18	1,442	0	1,442

Notes	DSG Receivable for 2015/16	Individual Schools		Total
		Central Expenditure £000	Budget £000	
A	Final DSG for year before Academies recoupment			192,114
B	Academy figure recouped for year			(89,800)
C	Total DSG after academy recoupment			102,314
D	Plus: Brought forward from previous year			4,079
E	Less: Carry forward to following year (agreed in advance)			0
F	Agreed initial budgeted distribution in year	21,847	84,546	106,393
G	In year adjustments	(1,820)	(759)	(2,579)
H	Final budget distribution for year	20,027	83,787	103,814
I	Less: Actual central expenditure	(16,918)		(16,918)
J	Less: Actual ISB deployed to schools		(83,787)	(83,787)
K	Plus: Local Authority contribution for year	0	0	0
L	Carry forward to 2016/17	3,109	0	3,109

Note 34 - Grant Income

The Council credited the following grants, taxes, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2016		31 March 2017	
	£000		£000
(30,072)	Revenue Support Grant	(20,152)	
(1,341)	Council Tax Freeze Grant	0	
(2,683)	NDR Section 31 Grant	(1,730)	
0	Transition Grant	(2,234)	
0	Council Tax Annex Grant	(33)	
(852)	HRA Capital Grant	0	
(12,193)	New School Places Programme	(13,729)	
(9,822)	New Woodside link road to M1	(7,898)	
(4,457)	Highways Structural Maintenance	(4,336)	
(2,321)	Section 106 developer contributions	(3,077)	
0	Special Schools Provision	(2,402)	
(2,712)	Schools Capital Maintenance	(2,236)	
0	Stratton Park Phase 5 & 6 additional infrastructure	(1,400)	
(2,619)	Local Broadband Infrastructure	(1,186)	
(974)	A421-M1 Junction 13 - Milton Keynes Magna Park*	(1,150)	
(2,104)	Flitwick Leisure Centre Redevelopment	0	

	(1,818) Highways Integrated schemes	0
	(2,672) Others (individually less than £1M)	(4,175)
	(76,640) Total	(65,737)

* this grant was included in 'Others (individually less than £1M' in 2015/16

Credited to Services

31 March 2016		31 March 2017
£000		£000
(102,314)	Dedicated Schools Grant	(102,929)
(60,249)	Housing Benefit Administration Subsidy Grant	(58,446)
(11,306)	Public Health Grant	(12,909)
(9,070)	New Homes Bonus Grant	(11,725)
(4,939)	Better Care Fund (NHS Grant)	(5,055)
(4,086)	Pupil Premium Grant (EFA)	(3,866)
0	EFA (UIFSM/Primary PE&Sports/Year 7 Catch-Up Premium)*	(3,444)
(3,326)	Additional Grant for Schools**	(3,361)
(2,582)	Post-16 - Education Funding Agency Grant	(2,523)
(2,250)	Early Intervention Grant	(2,097)
0	PFI*	(1,886)
(1,103)	Adult & Community Learning Grant	(1,330)
(835)	Asylum Seekers Grant**	(1,175)
(5,956)	Others (individually less than £1M)	(6,259)
(208,016)	Total	(217,005)

* The PFI and EFA grants had not been included in the above table but rather reported within 'Fees, charges and other service income' in 2015/16.

** these grants were included in 'Others (individually less than £1M' in 2015/16

Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

31 March 2016		31 March 2017
£000		£000
(26,051)	Section 106 developer contributions	(38,507)
(5,094)	New School Places Programme	0
(3,948)	New Woodside link road to M1	0
(1,618)	Special Schools Provision	0
(2,152)	Others (individually less than £1M)	(4,420)
(38,863)	Total	(42,927)

Note 35 - Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Council.

Central Government:

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

Members:

Members of the Council have direct control over the Council’s financial and operating policies. The total of Members’ allowances paid in 2016/17 is shown in Note 30.

A number of Councillors are school governors and are appointed Town and Parish Council Members, although they do not control or significantly influence any of these public bodies given the nature of governance arrangements in place.

A list of Councillor relationships with companies / organisations that have had material financial transactions in 2016/17 with the Council is provided below. Contracts were entered into in full compliance with the Council’s standing orders. Material financial transactions for this purpose are defined as those over £1.0M. If however the transactions are below £1.0M, but significant in relation to the total income and expenditure of the Related Party, they have been included within this disclosure.

Councillor	Organisation	Relationship	2016/17 Expenditure by the Council £'000
S. Dixon	Willmott Dixon which is wholly owned by Hardwicke Investments	Shareholder	2,551
P. Hollick	South Beds Dial-A-Ride	Member	198
D. Bowater	South Essex Partnership	CBC-appointed Governor	8,150

Senior Officers:

Senior Officers are defined as per Note 31.

During 2016/17, there were no material related party transactions relating to Senior Officers.

Other Public Bodies:

The Council hosts a partnership arrangement with NHS Bedfordshire Clinical Commissioning Group in respect of the Better Care Fund (BCF). Established in April 2015, it provides funds to local areas to support the integration of health and social care. The agreement has established a Partnership Board with joint membership from each organisation. The Partnership Board determines which schemes are funded in the locality. Each partner then manages the contracts with their own providers of BCF services and each partner retains any financial risk relating to those contracts.

The Council also hosts a pooled budget arrangement with NHS Bedfordshire Clinical Commissioning Group and Bedford Borough Council for the provision of Community Equipment Services.

Further details of these two partnership and pooled budget arrangements are included in Note 29.

Pension Fund:

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Bedford Borough Council. Details of payments made to the Bedfordshire Pension Fund for employer's superannuation contributions are shown in Note 41.

Entities Controlled or Significantly Influenced by the Council:

Whilst there are no groups controlled or significantly influenced by Central Bedfordshire Council, since 1st April 2016, the Council has held a one-third ownership of LGSS Law Ltd which is a Local Authorities Trading Company (LATC). Established by Cambridgeshire County Council and Northamptonshire County Council, the company's main objective is to provide legal services to the public sector. Total payments of £2.2m were made to LGSS Law Ltd in 2016/17 for legal services, undertaking the role of the Council's Monitoring Officer and disbursements.

Note 36 - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital

Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as follows:

Capital Expenditure and Capital Financing

31 March 2016		31 March 2017
£000		£000
446,919	Opening Capital Financing Requirement	475,810
	Capital Investment:	
83,930	Property Plant and Equipment	83,882
315	Intangible Assets	1,050
27,506	Revenue Expenditure Funded from Capital Under Statute	28,275
111,751	Total Capital Spending	113,206
	Sources of Finance:	
(5,081)	Capital receipts	(10,268)
(52,863)	Government Grants and other contributions	(42,388)
(3,946)	Major repairs reserve	(4,567)
	Sums set aside from revenue:	
(12,103)	- Direct revenue contributions	(5,698)
(8,867)	- Minimum revenue provision	(1,648)
(82,860)	Total Sources of Finance	(64,569)
475,810	Closing Capital Financing Requirement	524,446

Explanation of movements in year

31 March 2016		31 March 2017
£		£
28,891	Increase in underlying need to borrow (unsupported by government financial assistance)	48,637
28,891	Increase/(decrease) in Capital Financing Requirement	48,637

Note 37 - Leases

Council as Lessee

Finance Leases:

At 31 March 2016, the Council has not taken any finance leases.

Operating Leases:

The Council has use of a number of buildings and land in delivering services by entering into operating leases, with various lease lengths from 1 to 99 years. Most are less than 25 years and many are annual, those that are 99 years are very limited in number and immaterial in value.

Council as Lessee - Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31 March 2016 £'000		31 March 2017 £'000
199	Not later than one year	200
557	Later than one year and not later than five years	410
410	Later than five years	254
1,166	Total	865

The expenditure charged to services in the CIES during the year in relation to these leases was:

31 March 2016 £'000		31 March 2017 £'000
254	Minimum lease payments	200
254	Total	200

Council as Lessor

Finance Leases:

The Council has no leased out assets whereby the Council would be lessor, that meet the definition of a finance lease.

Operating Leases:

The Council leases out property (as landlord) under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses;
- for agricultural purposes.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Council as Lessor - Operating Leases

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2016 £'000		31 March 2017 £'000
1,486	Not later than one year	1,341
4,165	Later than one year and not later than five years	4,076
23,178	Later than five years	22,873
28,829	Total	28,290

Note 38 - Service concession arrangements

In December 2003, Bedfordshire County Council entered into a contract with Bedfordshire Education Partnership Ltd for the provision of new buildings, the refurbishment of existing buildings and associated facilities management at two schools (Samuel Whitbread Academy and Harlington Upper School) which have both since converted to Academy status.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct new buildings, refurbish existing buildings and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools.

The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Academies for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, Plant and Equipment:

The assets used to provide services at the schools are not recognised on the Council's Balance Sheet, given that the two schools have converted to Academy status and the assets were written out of the Council's asset register at the point of transfer.

Payments:

The Council makes an agreed payment each year to Bedford Education Partnership Ltd which is increased each year by inflation linked to the Retail Price Index (RPI) and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed until the contract expires on 31 December 2035. The payment was £4.557M in 2016/17 (£4.286M in 2015/16).

Movement in PFI Liabilities

2016/17	Schools PFI	Total
	£'000	£'000
Balance outstanding at start of year	(15,733)	(15,733)
Payments during the year	(1,510)	(1,510)
Balance outstanding at year-end	(17,243)	(17,243)

2015/16	Schools PFI	Total
	£'000	£'000
Balance outstanding at start of year	(16,268)	(16,268)
Payments during the year	535	535
Balance outstanding at year-end	(15,733)	(15,733)

Payments due under PFI schemes - 2016/17

Reimbursement of Capital Expenditure	Schools PFI	Total
	£'000	£'000
Payable within one year	(711)	(711)
Payable within two to five years	(2,383)	(2,383)
Payable within six to ten years	(3,710)	(3,710)
Payable within eleven to fifteen years	(5,271)	(5,271)
Payable within sixteen to twenty years	(5,168)	(5,168)
Total	(17,243)	(17,243)

Interest	Schools PFI	Total
	£'000	£'000
Payable within one year	(1,575)	(1,575)
Payable within two to five years	(5,883)	(5,883)
Payable within six to ten years	(7,025)	(7,025)
Payable within eleven to fifteen years	(6,186)	(6,186)
Payable within sixteen to twenty years	(6,203)	(6,203)
Total	(26,872)	(26,872)

Payment for Services	Schools PFI	Total
	£'000	£'000
Payable within one year	(1,399)	(1,399)
Payable within two to five years	(6,529)	(6,529)
Payable within six to ten years	(8,383)	(8,383)
Payable within eleven to fifteen years	(8,407)	(8,407)
Payable within sixteen to twenty years	(5,705)	(5,705)
Total	(30,423)	(30,423)

Note 39 - Termination Benefits

The Council terminated the contracts of 38 employees in 2016/17, incurring direct redundancy costs of £673K (68 employees and £778K in 2015/16) – see Note 31 for the number of exit packages and total cost per band. These costs have been incurred as part of the Council's drive to reduce operating costs:

- £100K paid to 2 officers in Children's Services
- £72K paid to 3 officers in Corporate Services
- £285K paid to 10 officers in Regeneration & Community Services
- £157K paid to 21 officers in Social Care, Health & Housing
- £59K paid to 2 officers for schools.

Note 40 - Pension Schemes Accounted for as Defined Contribution Schemes

The Council does not participate in any defined contribution schemes.

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The Scheme has in excess of 7,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £5.573M to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.49% of pensionable pay. The comparative figures for 2015/16 were £5.219M and 15.43% respectively. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41.

The Council is not liable to the Scheme for any other entities' obligations under the plan.

Public Health Staff

Under the new arrangements for Public Health, staff performing public health functions were compulsorily transferred to the Council on 1 April 2013 on the abolition of the Primary Care Trusts (PCTs) nationally. The transferred staff retained access to the NHS Pension Scheme. The Scheme provides specified benefits upon retirement towards which the Council makes contributions based on a percentage of members' pensionable salaries. The Scheme is administered by the Department of Health (DoH).

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the DoH uses a notional fund as the basis for setting employer contribution rates. Valuations of the fund are undertaken every four years.

The Scheme has over 1.35M active members employed in a wide variety of organisations. The Council is unable to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £50K to the NHS Pension Scheme in respect of the retirement benefits of public health staff (£53K in 2015/16). There were no contributions remaining payable at the year-end.

The Council is not liable to the Scheme for any other entities' obligations under the plan.

Note 41 - Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme (LGPS). Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in one post-employment scheme: the LGPS, administered locally by Bedford Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund,

calculated at a level intended to balance the pensions liabilities with investment assets.

There are no other schemes other than the LGPS.

Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Bedfordshire Pension Fund is operated under the regulatory framework for the LGPS and the governance of the Scheme is the responsibility of the pensions committee of Bedford Borough Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Chief Finance Officer and resources of the appointed Investment Fund managers.

The principal risks to the Council of the Scheme are the longevity assumptions, statutory changes to the Scheme, structural changes to the scheme (i.e., large-scale withdrawals from the Scheme), changes to inflation, bond yields and the performance of the equity investments held by the Scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the Accounting Policies Note 1.

Discretionary Post-retirement Benefits:

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits:

The Council recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

General Fund Transactions

2015/16		2016/17
LGPS		LGPS
£000		£000
Comprehensive Income and Expenditure Statement		
Cost of Services		
	Service cost comprising:	
22,614	Current service cost	19,320
(160)	(Gain) / loss from curtailments	386
	Financing and Investment Income and Expenditure	
12,194	Net interest expense	11,207
34,648	Total charged to Surplus and Deficit on Provision of Services	30,913

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

£000		£000
	Remeasurement of the net defined benefit liability comprising:	
9,504	Return on plan assets (excluding the amount included in the net interest expense)	(60,208)
(12,499)	Actuarial gains and losses arising on changes in demographic assumptions	(2,695)
(71,181)	Actuarial gains and losses arising on changes in financial assumptions	147,945
(39,528)	Total charged to the Comprehensive Income and Expenditure Statement	115,955

2015/16		2016/17
LGPS		LGPS
£000		£000
Movement in Reserves Statement		
(34,648)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(30,913)
	Actual amount charged against the general fund balance for pensions in the year:	
19,551	Employers' contributions payable to scheme	20,033

2015/16	Pensions Assets and Liabilities Recognised in the Balance Sheet	2016/17
LGPS		LGPS
£000		£000
(747,661)	Present value of the defined obligation	(917,401)
427,099	Fair value of plan assets	500,917
(320,562)	Net (liability) / asset arising from the defined benefit obligation	(416,484)

2015/16	Movement in the the Value of Scheme Assets	2016/17
LGPS		LGPS
£000		£000
422,698	Opening fair value of scheme assets	427,099
13,532	Interest income	14,915
	Remeasurement gain / (loss):	
(9,504)	The return on plan assets, excluding the amount included in the net interest expense	60,208
19,551	Contributions from employer	20,033
5,168	Contributions from employees into the scheme	5,069
(24,346)	Benefits / transfers paid	(26,407)
427,099	Closing value of scheme assets	500,917

2015/16	Movements in the Fair Value of Scheme Liabilities	2016/17
LGPS		LGPS
£000		£000
(802,339)	Opening balance at 1 April	(747,661)
(22,614)	Current service cost	(19,320)
(25,726)	Interest cost	(26,122)
(5,168)	Contributions from scheme participants	(5,069)
	Remeasurement gains and losses:	
12,499	Actuarial gains / (losses) from changes in demographic assumptions	2,695
71,181	Actuarial gains / (losses) from changes in financial assumptions	(147,945)
(113)	Gains / (losses) on curtailments	(386)
24,346	Benefits / transfers paid	26,407
273	Liabilities extinguished on settlements	0
(747,661)	Balance as at 31 March	(917,401)

The table above shows the amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans.

Basis for Estimating Assets and Liabilities:

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the Bedfordshire Pension Fund being based on the latest full valuation of the Scheme as at 1 April 2016.

The significant assumptions used by the actuary have been:

2015/16	Local Government Pension Scheme	2016/17
3.5%	Long-term expected rate of return on assets in the scheme *	2.6%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.4	Men	22.4
24.3	Women	24.5
	Longevity at 65 for future pensioners:	
24.4	Men	24.0
26.8	Women	26.2
3.2%	Retail Price Inflation (RPI)	2.7%
3.2%	Rate of increase in salaries	2.7%
2.2%	Consumer Price Inflation (CPI) – pension increase rate	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%

* Rate for discounting scheme liabilities, which is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The following sensitivity analysis has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that only life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the Scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the following sensitivity analysis did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		
		2016/17
	Approximate % increase to Employer Liability	Approximate monetary amount
		£'000
Rate of increase in salaries (0.5% increase)	1%	10,098
Rate of increase in pensions (0.5% increase)	8%	74,281
Rate of discounting Scheme liabilities (0.5% decrease)	9%	85,354

Note 42 - Contingent Liabilities

At 31 March 2017, the Council was not aware of any contingent liabilities.

Note 43 - Contingent Assets

At 31 March 2017, the Council was not aware of any contingent assets.

Note 44 - Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that the counterparty to a financial asset might fail to meet its contractual obligations, causing a loss to the Council;
- liquidity risk – the possibility that the Council might not have the cash available to make its contracted payments on time;
- market risk – the possibility that an unplanned financial loss might arise for the Council as a result of changes in market variables such as interest rates or equity prices.

The Council's overall risk management programme includes focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Resources Directorate's treasury team, under policies approved by the Council in the

annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk:

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council’s customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, which will be the lowest published long-term credit rating assigned by the international rating agencies of Moody’s, Standards & Poor’s, and Fitch – a minimum long-term rating of BBB+ (or Moody’s equivalent of Baa1) for UK counterparties: AA+ (or Moody’s equivalent of Aa1) for non-UK sovereigns. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council’s deposits, but there was no evidence at the 31 March 2017 that this risk was likely to crystallise.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council has a total of £13.067M customer balances which have been invoiced at year end. This is analysed in the table 'Credit Risk - Debtors' shown later in this Note.

The Council’s experience of customer debtor balance write offs equated to 1.8% of the year end total in 2016/17, which compares to 2.0% in 2015/16.

Credit Risk - Debtors	31 March 2016	31 March 2017
	£000	£000
Less than three months	8,142	7,765
Three to six months	1,026	855
Six months to one year	2,052	1,710
More than one year	1,807	2,737
	13,027	13,067

Liquidity Risk:

The Council has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. This strategy is to ensure that no more than 50% of loans are due to mature within any one year period through the careful planning of new loans taken out. The maturity analysis of financial liabilities is analysed in the table 'Liquidity Risk' shown later in this Note.

Liquidity Risk	31 March 2016	31 March 2017
	£000	£000
Less than one year	62,512	72,280
Between one and two years	0	0
Between two and five years	0	0
More Than 5 Years	100,246	100,246
More Than 10 years	175,314	175,314
	338,072	347,840

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk and aims to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update budget monitoring quarterly during the year. This allows any adverse changes to be mitigated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect is outlined in the table 'Market Risk - Interest Rate Risk' shown later in this Note. The impact of a 1% fall in interest rates would be the same movement as above but in reverse for variable rated borrowing.

Market Risk - Interest Rate Risk	31 March 2017
	£000
Increase in interest payable on variable rate borrowings	1,173
Increase in interest receivable on variable rate investments	(92)
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	1,080
	<hr/>
Share of overall impact debited to the HRA	154
	<hr/>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(41,013)

Price Risk

The Council does not invest in equity shares but does hold units to the value of £5.3M in a property fund with Aviva Investors (the "Lime Fund"). The Council is consequently exposed to losses arising from movements in the price of the units.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The units held are all classified as 'Available-for-Sale' and as all movements in price are unrealised until sale, when they would become realised, the impact of gains and losses are recognised in the Available-for-Sale Financial Instruments Reserve. A general shift of 5% in the price of units (positive or negative) would result in a £264K

gain or loss being recognised in the Available-for-Sale Financial Instruments Reserve for 2016/17 (the actual cumulative unrealised gain for the Lime Fund stood at £279K as at 31/03/2017).

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. As a result, there is no exposure to losses arising from movements in exchange rates.

Note 45 - Trust Funds

The Council acts a custodian trustee for four trust funds. The funds are not assets of the Council and therefore they have not been included in the Council's Balance Sheet.

Funds for which the Council acts as custodian trustee:

2016/17

Fund	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
LW Williams Fund	0	0	10	0
Adult Social Care Customer Fund	0	0	30	0
LuDun Fund	0	0	130	0
Linsell House Bequest	0	2	21	0
Total	0	2	191	0

2015/16

Fund	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
LW Williams Fund	0	0	10	0
Adult Social Care Customer Fund	0	0	30	0
LuDun Fund	0	2	126	0
Linsell House Bequest	0	0	23	0
Total	0	2	189	0

Supplementary Financial Statements 2016/17

Housing Revenue Account Income and Expenditure Statement

31 March 2016		31 March 2017
£000		£000
Expenditure		
4,944	Repairs & Maintenance	5,234
6,807	Supervision & Management	7,427
303	Rents, Rates, Taxes and other charges	405
(19,975)	Depreciation, impairments and revaluation losses of non-current assets	7,994
118	Debt Management Costs	135
42	Movement in the allowance for bad debts	86
(7,760)	Total Expenditure	21,280
Income		
(26,829)	Dwelling rents	(27,257)
(501)	Non-dwelling rents	(553)
(873)	Charges for services and facilities	(967)
(524)	Contributions from General Fund	(862)
(28,727)	Total Income	(29,639)
(36,488)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(8,359)
101	HRA Services Share of Corporate & Democratic Core	96
(36,386)	Net Expenditure of HRA Services	(8,263)
(793)	Gains/loss on sale of HRA Fixed Assets	(5,246)
4,034	Interest Payable and Similar Charges	3,975
(63)	HRA Interest and Investment Income	(52)
364	Net interest on the defined benefit liability/asset	347
(851)	Capital Grants and Contributions	0
(33,697)	(Surplus) or Deficit for Year on HRA Services	(9,238)

Movement on the HRA Statement

31 March 2016 £000	Movement on the HRA Statement	31 March 2017 £000
(2,000)	Balance on the HRA at the end of the previous year	(2,000)
(33,696)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(9,238)
34,800	Adjustments between accounting basis and funding basis under statute	4,919
1,104	Net (increase) or decrease before transfers to or from reserves	(4,319)
(1,104)	Transfer to/(from) reserves	4,319
0	(Increase) or decrease on the HRA for the year	0
(2,000)	Balance on the HRA at the end of the current year	(2,000)

31 March 2016 £000	Adjustment between accounting basis	31 March 2017 £000
20,826	Transfers to/from the Capital Adjustment Account	(7,994)
793	Gain or loss on sale of non-current assets	5,246
(456)	Contributions to or from the Pension Reserve	(325)
3,946	Transfers to/(from) Major Repairs Reserve	4,567
9,690	Capital expenditure funded by the HRA	3,425
34,799	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	4,919

31 March 2016	Transfer to/from Reserves	31 March 2017
£000		£000
7,487	Transfers to earmarked reserves	7,190
(8,591)	Transfers from earmarked reserves	(2,871)
(1,104)	Total Transfers	4,319

Notes to the HRA Account

HRA 1 Housing Stock

The number and types of dwelling in the Council's housing stock:

Property Type	Stock at 01/04/2016	Additions	Sales	Demolished	Stock at 31/03/2017
Low rise flats	1,293	45	(7)	0	1,331
Medium rise flats	503	90	0	0	593
High rise flats	0	0	0	0	0
Houses & bungalows	3,309	9	(22)	(1)	3,295
Total	5,105	144	(29)	(1)	5,219

HRA 2 Balance Sheet Values of HRA Assets

Value at 31/03/2016		Value at 31/03/2017	
£000	Operational assets	£000	
414,232	Council dwellings	449,395	
6,986	Other land & buildings	6,879	
421,218		456,274	

As at 1 April 2016, the vacant possession value of the Council's dwellings is estimated at £880.5M. The lower Balance Sheet value of £449.4M shown above reflects its existing use as tenanted council housing at less than market rents.

HRA 3 Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

31 March 2016		31 March 2017
£000		£000
(200)	Balance at 1 April	(200)
(3,946)	Total depreciation on all HRA assets	(4,567)
3,946	Expenditure in year	4,567
(200)	Balance at 31 March	(200)

HRA 4 Capital Expenditure and Financing

The Council spent £10.2M on HRA capital projects in 2016/17 (2015/16 £17.6M). This spending was financed from the following sources:

31 March 2016		31 March 2017
£000		£000
Capital investment		
17,588	Operational assets	10,163
17,588	Total capital investment	10,163
Sources of funding		
(3,100)	Capital Receipts	(3,359)
(3,946)	Major Repairs Reserve	(4,567)
(852)	Government grants and other contributions	0
(9,690)	Direct Revenue Financing	(2,237)
(17,588)	Total funding	(10,163)

HRA 5 Capital Receipts

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

Total Capital Receipts Generated during the year

31 March 2016			31 March 2017	
£000			£000	
(3,163)	Council Houses		(7,323)	
(10)	Right to Buy		0	
(2)	Principal Repayments on Mortgage		0	
0	Sale of Land		(31)	
(3,175)	Total		(7,354)	

HRA 6 Depreciation and Impairment

Depreciation and impairment is only charged to the HRA in respect of operational assets. The charges for 2016/17 were as follows:

Depreciation and Impairment of Non-Current Assets

31 March 2016			31 March 2017	
Depreciation £000	Impairment £000		Depreciation £000	Impairment £000
(3,864)	23,927	Council Dwellings	(4,470)	(3,456)
(82)	(6)	Other Land and Buildings	(97)	29
(3,946)	23,921	Total	(4,567)	(3,427)

HRA 7 Rent Arrears

The amount of rent arrears and the aggregate Balance Sheet impairment allowance in respect of uncollectable debts:

	31 March 2016 £000	31 March 2017 £000
Current Tenant Arrears	428	437
Former Tenant Arrears	482	513
Gross Rent Arrears	910	950
Bad Debt Provision	(541)	(575)
Total	369	375

HRA 8 The HRA share of contributions to / from the Pensions Reserve

The Council recognises the share of pension fund net assets and liabilities attributable to the HRA within appropriations in the net operating costs for the service. Appropriate adjustments are made so as to ensure that the sum required to be funded by housing rents is equal to the actual contributions paid to the Pension Fund in the year. The following adjustments have been made through the Movement on the HRA Statement balance in the year.

31 March 2016 £000		31 March 2017 £000
674	Current Service Cost	599
364	Net interest expense	347
1,038	Total charged to Comprehensive Income and Expenditure Statement	946
(583)	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(621)
455	Movement on Pension Reserve	325

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

31 March 2016			31 March 2017			
Business Rates £'000	Council Tax £'000	Total £'000	Collection Fund	Business Rates £'000	Council Tax £'000	Total £'000
INCOME:						
	161,182	161,182	Council Tax Receivable		168,175	168,175
75,703		75,703	Business Rates Receivable	85,200		85,200
75,703	161,182	236,885	Total amounts to be credited	85,200	168,175	253,375
EXPENDITURE:						
Apportionment of Previous Year Surplus/Deficit:						
1,464		1,464	Central Government	2,728		2,728
1,434	(1,195)	239	Central Bedfordshire Council	2,673	(4,071)	(1,398)
0	(132)	(132)	Police and Crime Commissioner for Bedfordshire	0	(459)	(459)
29	(74)	(45)	Bedfordshire Fire and Rescue Service	55	(256)	(202)
Precepts, demands and shares:						
(40,322)		(40,322)	Central Government	(42,712)		(42,712)
(39,515)	(122,188)	(161,703)	Central Bedfordshire Council	(41,858)	(130,486)	(172,344)
0	(14,912)	(14,912)	Police and Crime Commissioner for Bedfordshire	0	(15,625)	(15,625)
(806)	(8,333)	(9,139)	Bedfordshire Fire and Rescue Service	(854)	(8,731)	(9,585)

	(10,154)	(10,154)	Parishes		(10,705)	(10,705)
			Charges to Collection Fund:			
(87)	0	(87)	Write-offs of uncollectable amounts	(105)	0	(105)
(586)	(612)	(1,198)	Increase/(decrease) in allowance for impairment	(546)	(739)	(1,285)
1,573		1,573	Increase/(decrease) in allowance for appeals	(215)		(215)
(227)		(227)	Transitional Protection Payments Payable	(345)		(345)
(314)		(314)	Charge to General Fund for allowable collection costs for non-domestic rates	(312)		(312)
			Other transfers to General Fund in accordance with non-domestic rates regulations [report separately for each major Scheme where transfers are material]			
(383)		(383)	Renewable Energy	(392)		(392)
(77,740)	(157,600)	(235,340)	Total amounts to be debited	(81,883)	(171,072)	(252,955)
(2,037)	3,582	1,545	Surplus /(deficit) arising during the year	3,317	(2,897)	420
(5,165)	3,688	(1,477)	Surplus/(deficit) b/f at 1 April 2016	(7,202)	7,270	68
(7,202)	7,270	68	Surplus/(deficit) c/f at 31 March 2017	(3,885)	4,373	488

Notes to the Collection Fund

The Collection Fund is required by statute to show the transactions of the billing authority in relation to Council Tax and Non-Domestic Rates (NDR). The Collection Fund shows how the transactions have been distributed to the Council and its major preceptors: Central Government; Bedfordshire Police Authority; and Bedfordshire Fire and Rescue Service. Town and parish precepts form part of the amount due to be collected from Council Taxpayers within Central Bedfordshire.

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

Council Tax Base

The tax base is derived by estimating the number of domestic properties in each Council Tax band, applying reliefs and exemptions and multiplying the result by the weighting factor applicable to each tax band. This result is then reduced by 1% to allow for non-collection and other reductions such as discounts and appeals.

Note 1 - Council Tax Income

2016/17

Band	Valuation band limits £	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
		No		No
A	Upto and including - 40,0000	9,721	6/9	6,481
B	40,001 - 52,000	23,018	7/9	17,903
C	52,001 - 68,000	32,356	8/9	28,761
D	68,001 - 88,000	21,762	9/9	21,762
E	88,001 - 120,000	14,917	11/9	18,232
F	120,001 - 160,000	8,021	13/9	11,586
G	160,001 - 320,000	4,692	15/9	7,820
H	More than - 320,001	352	18/9	704
Adjustment				(17,303)
Council tax base				<u>95,946</u>

2015/16

Band	Valuation band limits £	Calculated no of dwellings	Ratio to band D	Equated No of dwellings	
		No		No	
A	Upto and including - 40,0000	9,580	6/9	6,387	
B	40,001 - 52,000	22,742	7/9	17,688	
C	52,001 - 68,000	31,931	8/9	28,383	
D	68,001 - 88,000	21,287	9/9	21,287	
E	88,001 - 120,000	14,629	11/9	17,880	
F	120,001 - 160,000	7,840	13/9	11,324	
G	160,001 - 320,000	4,589	15/9	7,648	
H	More than - 320,001	345	18/9	690	
				Adjustment	(17,895)
				Council tax base	<u>93,392</u>

	31 March 2016			31 March 2017		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Central Bedfordshire Council	6,190	(3,529)	2,661	3,727	(1,904)	1,823
Central Government	0	(3,601)	(3,601)	0	(1,942)	(1,942)
Police & Crime Commissioner for Bedfordshire	693	0	693	415	0	415
Bedford Fire & Rescue Service	387	(72)	315	232	(40)	192
Total	7,270	(7,202)	68	4,373	(3,886)	487

**Independent Auditor's Report To The Members Of Central
Bedfordshire Council**

To be included following completion of the audit.

Annual Governance Statement 2016/17

To be included following completion of the audit.

Glossary

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACQUISITIONS

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

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation; or
- the actuarial assumptions have changed.

ACTUARIAL VALUATION

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

ACTUARY

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

AGENCY SERVICES

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

AMORTISATION

The routine decrease in value of an intangible asset, or the process of paying off a debt over time through regular payments. A corresponding concept for tangible assets is known as depreciation. The idea of amortisation is to spread the cost of an asset over the period of its 'useful life'.

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current:

- a current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock);
- a non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible, e.g., a community centre, or intangible, e.g., computer software licences.

ASSET REGISTER

A record of Council assets including land and buildings, housing, infrastructure, vehicles, plant and equipment. This is maintained for capital accounting and property management purposes. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

AVAILABLE-FOR-SALE FINANCIAL ASSET

A non-derivative financial asset that is not classified as Loans and Receivables. The asset needs to be immediately available for sale and is valued at the lower of its current carrying value or fair value less costs to dispose. Available-for-Sale financial assets include equity investments and other investments traded in an active market.

BAD DEBTS

Debts owed to the Council which are considered to be irrecoverable and are written off.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BALANCES

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

BILLING AUTHORITY

A local authority charged by statute with responsibility for the collection of and accounting for Council Tax and Non-Domestic Rates (NDR) in their area. These are district councils, borough councils and unitary authorities.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring interest charges over and above the original principal amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL ADJUSTMENT ACCOUNT

An account that reflects the difference between the cost of non-current assets consumed and the capital financing set aside to pay for them.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT (CFR)

The CFR is the capital investment funded from borrowing which has yet to be repaid and is the basis for the Minimum Revenue Provision (MRP).

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

CAPITAL RESERVES

Capital reserves represent resources earmarked to fund capital schemes as part of the Council's capital investment strategy.

CAPITALISATION

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

CASH EQUIVALENTS

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

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The professional accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities.

CIPFA CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Code specifies the principles and practices of accounting to give a “true and fair” view of the financial position and transactions of a local authority.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and Non-Domestic Rates (NDR).

COMMUNITY ASSETS

Assets that the Council intends to hold forever, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

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

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council’s accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council’s control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

COUNCIL TAX

A local tax, based upon the value of domestic property, set by local authorities in order to meet their budget requirement.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT ASSET

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

CURRENT LIABILITY

An amount which will become payable or could be called in within one year of the Balance Sheet date; examples are creditors and cash overdrawn.

CURRENT VALUE

The price that would be received from the sale of operational property, plant and equipment assets or paid to transfer a liability based on existing use value in an orderly transaction between market participants at the measurement date.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and salary, and are independent of the contributions payable, and the benefits are unrelated to the performance of the investments of the scheme.

DEPRECIATED HISTORICAL COST

The valuation of non-current assets at their original cost less depreciation charged to date.

DEPRECIATED REPLACEMENT COST

Relating to non-current assets, the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property, such as highways and footpaths.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

EFFECTIVE RATE OF INTEREST

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

EMPLOYEE BENEFITS

All forms of consideration given by the Council in exchange for services rendered by employees.

EXCEPTIONAL ITEM

An item which derives from events or transactions that falls within the ordinary activities of the Council and which needs to be disclosed separately by virtue of its size or incidence to give fair presentation of the accounts from year to year. Such an item will always be explained in a Note to the Statement of Accounts.

EXISTING USE VALUE FOR SOCIAL HOUSING (EUV-SH)

A vacant possession valuation of Council dwellings adjusted to reflect the continuing occupation by a secure tenant. A further adjustment is made to reflect the difference between open market rented property and social rented property.

EXPENDITURE AND FUNDING ANALYSIS

A report which brings together the Council's performance on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA). It also shows how annual expenditure is allocated for decision making purposes between the Council's directorates.

EXTRAORDINARY ITEMS

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

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Under this type of lease, the organisation paying the lease is treated as if it owns the goods and is required to include such finance leased assets on the Balance Sheet.

FINANCIAL INSTRUMENT

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

FINANCIAL LIABILITY

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

FINANCING ACTIVITIES

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

FORMULA GRANT

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

GENERAL FUND

The Council's main revenue account that covers the net cost of all services. Day-to-day transactions are conducted through this account, with the exception of those relating to the Housing Revenue Account (HRA), Collection Fund or any other trust funds held by the Council. The accumulated credit balance on the General Fund is needed as a cushion against unforeseen expenditure.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by Central Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

GROSS EXPENDITURE

The total cost of providing the Council's services before deducting income from Central Government grants, or fees and charges for services.

HISTORICAL COST

The amount originally paid for a non-current asset.

HOUSING BENEFITS

A national system of financial assistance to individuals towards meeting certain housing costs administered by local authorities and subsidised by Central Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INCOME

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

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INSURANCE RESERVE

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

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The international accounting standards that govern the treatment and reporting of income and expenditure under which the Council has compiled its financial statements.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

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

INVESTMENT PROPERTY

Land or buildings that are held solely for their investment potential, i.e., to earn rental income or for capital appreciation or both.

LESSEE

The party that leases an asset that is owned by another party.

LESSOR

The owner of an asset which is leased to another party.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g., creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

LOANS AND RECEIVABLES

Financial assets with fixed or determinable payments and are not quoted in an active market.

MAJOR REPAIRS RESERVE (MRR)

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

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the Statement of Accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NET ASSETS

The amount by which assets exceed liabilities (same as 'net worth').

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

NET PRESENT VALUE (NPV)

The difference between the present value of cash inflows and the present value of cash outflows (including initial cost) over a period of time. NPV is used in capital budgeting to analyse the profitability of a potential investment or project.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NET REVENUE EXPENDITURE

Gross expenditure less fees and charges for services and specific grants but before the deduction of revenue support grants and national business rates.

NET WORTH

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

NON-CURRENT ASSETS

An asset that does not meet the definition of a current asset and yields benefit to the Council for a period of more than one year.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services. An example is the extra pension costs caused by early retirement.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by Central Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of itself, Central Government and major preceptors.

NON-OPERATIONAL ASSETS

Tangible non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirement pending sale or redevelopment.

OPERATING ACTIVITIES

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

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor. An operating lease is commonly used to acquire equipment on a relatively short-term basis and the lease term is short compared to the useful life of the asset or piece of equipment being leased.

OPERATIONAL ASSETS

Non-current assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

OUTTURN

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

PENSION RESERVE

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

POOLED BUDGET

Partners contribute a set amount of money to form a separate budget. The purpose and scope of the budget is agreed at the outset and then used to pay for relevant services and activities.

POST-EMPLOYMENT BENEFITS

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

POST-BALANCE SHEET EVENT

Events both favourable and unfavourable which occur between the Balance Sheet date and the date on which the Statement of Accounts is authorised for issue.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e., do not collect Council Tax) precept upon the billing authority, who then collect on their behalf – Bedfordshire Police Authority, Bedfordshire Fire & Rescue Service and the Parishes that precept upon Central Bedfordshire Council.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PRIVATE FINANCE INITIATIVE (PFI)

A contract between the Council and a private company where the private sector makes a capital investment in the assets required to deliver improved services, and operates and maintains that property for a specified period of time. The private sector operator is paid for its services over the period of the arrangement, which is typically 25 years.

PROPERTY, PLANT AND EQUIPMENT (PPE)

Tangible assets (i.e., assets with physical substance) that are held for use in the production or supply of goods and services and which are expected to be used for longer than a single financial year.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

QUALIFIED VALUER

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

RECEIPT IN ADVANCE

Receipt that will be matched to expenditure in a future financial year.

RELATED PARTIES

For the Council's purposes, related parties are deemed to include the Council's Members, the Chief Executive, its Directors and their close family and household members. These are considered to have the potential to control or significantly influence the Council.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Capital Adjustment Account cannot be used to meet current expenditure.

RESIDUAL LIFE

The assumed remaining life of a non-current asset used in calculating the depreciation charge.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

REVALUATION RESERVE

This records unrealised net gains from asset revaluations since 1 April 2007.

REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)

The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Funding (DRF).

REVENUE EXPENDITURE

The day-to-day expenses of providing services, e.g., salaries, wages, materials, supplies and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

RIGHT TO BUY

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

SECTION 151 OFFICER

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

SERVICE REPORTING CODE OF PRACTICE (SeRCOP)

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

SHORT TERM COMPENSATED ABSENCES

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

SLIPPAGE

A delay in the progress of a capital scheme from the start date and payment flows originally allowed for in the approved Capital Programme.

STOCKS

Items of raw materials and stores the Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USABLE CAPITAL RECEIPTS RESERVE

Proceeds of non-current assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to either fund new capital expenditure or repay any outstanding debt on fixed assets.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will benefit from the use of a non-current asset.

Contact Details

Contact us...

If you have any questions on these Financial Statements or require further copies, please contact the Council as follows:

For the attention of:

Director of Resources
Central Bedfordshire Council
Priory House
Monks Walk
Chicksands
Shefford
Bedfordshire
SG17 5TQ

By telephone: 0300 300 6147 or 5206 (c/o Anthony Dodridge, Finance Manager)

By email: anthony.dodridge@centralbedfordshire.gov.uk
maria.fuller@centralbedfordshire.gov.uk

For general enquiries of the Council please contact:

Phone: 0300 300 8000

Email: customer.services@centralbedfordshire.gov.uk

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

Go to the web: www.centralbedfordshire.gov.uk

Changes made to the Statement of Accounts certified by Chief Finance Officer 29th June 2017.		
Statement of Accounts Page No	Section / Note	Comment – Comparison of published unaudited Statement of Accounts with Audited CBC Accounts 2016/17
13	Narrative Statement – explanation of the main statements	Narrative relating to the Expenditure and Funding Analysis has been moved to the end of this section, page 16, as the statement is a note the accounts and not a main statement.
14	Narrative Statement – Comprehensive Income and Expenditure Statement	<p>Narrative has been added to the end of the paragraph explaining the note to further comment on the reason that the 2015/16 data has been restated to reflect the new corporate structure.</p> <p>Values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • The change in the Net cost of services between 2015/16 and 2016/17 has reduced by £12.5M to £13.780M (from £26.311M) • Provision of services deficit has reduced to £10.892M from £23.230M • Other Comprehensive Income and Expenditure has reduced to £151.450M from £178.817M
14	Narrative Statement – The Movement in Reserves Statement	<p>Values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • The reduction in the Unusable reserves has reduced to £26.4M from £66.1M, as a result the Total Unusable reserves has increased to £385.4M from £345.7M • The overall increase in the Revaluation Reserve increased to £83M from £56M, as a result the 2016/17 Revaluation Reserve increased to £263.8M from £236.6M • The reduction in Capital Adjustments Account reduced to £12M from £25M
15	Narrative Statement – Balance Sheet	<p>Property, plant and equipment values updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • The increase in Property, plant and equipment in 2016/17 has increased to £117M from £77M • Property, plant and equipment 2016/17 increased to £1,310M from £1,270M

<p>23</p>	<p>Comprehensive Income and Expenditure Statement</p>	<p>Updated to identify the relevant notes that contain further information for particular line items.</p> <p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • HRA Expenditure reduced to £21,376k from £33,907k, as a result the HRA Net position reduced to (£8,263k) from (£21,376k) • Cost of Services Expenditure reduced to £535,796k from £548,328k, as a result the Cost of Services Net position reduced to £213,686k from £226,218k • Other Operating Expenditure increased to £15,639k from £15,446k • Deficit on Provision of Services expenditure reduced to £599,323k from £611,662k, as a result the Deficit on Provision of Services net position reduced to £10,892k from £23,230k • (Surplus) on revaluation of Property, Plant and Equipment increased to £86,500k from £59,134k • Other Comprehensive Income and Expenditure reduced to (£1,587) from £25,780k, as a result Total Comprehensive Income and Expenditure reduced to £9,305k from £49,010k.
<p>24</p>	<p>Movement in Reserves Statement</p>	<p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • HRA - (Surplus) / deficit on the provision of services increased to (£9,238k) surplus from £3,101k deficit • Total Usable and Total Reserves - deficit on the provision of services reduced to £10,892k from £23,230k • Other Comprehensive Income / Expenditure – Unusable Reserves and Total Reserves increased to (£1,587k) income from £25,780k expenditure • HRA - Total Comprehensive Income and Expenditure increased to (£9,238k) income from £3,101k expenditure • Total Usable Reserve - Total Comprehensive Income and Expenditure reduced to £10,892k from £23,230k • Unusable Reserves - Total Reserve reduced to £9,305k from £49,010k • HRA - Adjustments between accounting basis and funding basis under regulations reduced to £4,919k from (£7,419k), as a result the Total Usable - Adjustments between accounting basis and funding basis under regulations reduced to (£27,988k) from (£40,326k) and the Unusable Reserves - Adjustments between accounting basis and funding basis under regulations reduced from £27,988k from £40,326k • Unusable Reserves - Net Increase or Decrease before Transfers to Earmarked Reserves and Decrease in 2016/17 reduced to £26,401k from £66,106k, as a result Total Reserves – Net Increase or Decrease before Transfers to Earmarked Reserves and Decrease in 2016/17 reduced to £9,305k from £49,010k • Unusable Reserves - Balance at 31 March 2017 increased to £385,372k from £345,668k, as a result the

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		Total Reserves - Balance at 31 March 2017 increased to £488,087k from £448,382k
25	Movement in Reserves Statement	Adjustments between accounting basis and funding basis under regulations line updated to show the £455k in the Capital Receipts Reserve – this was previously included in the subtotal and total lines.
26	Balance Sheet	<p>Updated to reflect the corresponding note numbers for particular line items where further detail can be located.</p> <p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> Property, plant and equipment valuation increased to £1,309,583k from £1,269,878k resulting in long term assets increasing to £1,327,538k and Net Assets to £488,087k. Unusable reserves also increased to 385,372 to reflect the movement on the Capital Adjustment Account, also resulting in a change to total reserves to £488,087k.
27	Cash Flow Statement	<p>Updated to reflect the corresponding note numbers for particular line items where further detail can be located.</p> <p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> Net deficit on the provision of services reduced to £10,892k from £23,230k Adjustment to (surplus) / deficit on the provision of services for noncash movements reduced to £76,772k from £89,110k.
27	Cash Flow Statement	Certification of s.151 Officer added below the Cash Flow Statement.
49	Note 6 -Events after the Balance Sheet Date	Date the Statement of Accounts was authorised for issue by the Director of Resources has been included. Narrative included to confirm that there are no events known to the Council which would need to be registered as events after the Balance Sheet date.
50	Note 7 – Expenditure and Funding Analysis	<p>The EFA has been moved from the main statements section to Note 7 to reflect that it is not a main statement and is a note to the accounts. The previous Note 7 has become Note 7A.</p> <p>2015/16 values have been amended as these did not add through. No change to bottom-line figures – presentational only.</p> <p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the</p>

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		<p>application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • HRA – Adjustments changed to (£20k) from £12,511k, as a result HRA – Net Expenditure in the Comprehensive Income and Expenditure Statement changed to (£8,263k) from £4,269k • Net Cost of Services - Adjustments total reduced to £36,001k from £48,532k, as a result Net Cost of Services – Net Expenditure in the Comprehensive Income and Expenditure Statement reduced to £213,686k from £226,217k • Other Income and Expenditure - Adjustments total reduced to (£25,057k) from (£25,250k), as a result Other Income and Expenditure - Net Expenditure in the Comprehensive Income and Expenditure Statement reduced to (£202,794k) from (£202,987k) • (Surplus) / Deficit on Provision of Services – Adjustments total reduced to £10,944k from £23,282k, as a result (Surplus) / Deficit on Provision of Services - Net Expenditure in the Comprehensive Income and Expenditure Statement reduced to £10,892k from £23,230k.
51	Note 7A – Note to the EFA	<p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • HRA – Net Capital Statutory Adjustments reduced to £7,994k from £20,525k, as a result HRA – Total Adjustments change to (£20k) from £12,511k • Net Cost of Services – Net Capital Statutory Adjustments reduced to £62,004k from £74,536k, as a result Net Cost of Services – Total Adjustments reduced to £36,001k from £48,532k • Other Income and Expenditure – Net Capital Statutory Adjustments reduced to (£37,230k) from (£37,423k) resulting in Other Income and Expenditure – Total Adjustments reducing to (£25,057k) from (£25,250k) • Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement – Net Capital Statutory Adjustments reduced to £24,774k from £37,113k, resulting in the Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement – Total Adjustments reducing to £10,944k from £23,282k.
52	Note 7A – Note to the EFA	<p>2015/16 Other differences values and total adjustments have been amended to reflect that the original figures did not add through. No change to bottom-line figures – presentational.</p>
54	Note 8 – Expenditure analysed by Nature	<p>Additional line added for Support service recharge income, this had been omitted on publication however the values for both 2015/16 and 2016/17 were previously included in the total.</p> <p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the</p>

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		application of the 10% impairment allowance – Depreciation, amortisation and impairment reduced to £33,834k from £46,365k, and Gain or loss on disposal of non-current assets increased to £3,736k from £3,543k, resulting in the Deficit for Year reducing to £10,892k from £23,230k.
56-57	Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations – Capital Grants Unapplied	<p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • HRA - Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) reduced to (£10,102k) from (£22,440k), as a result the Movement in Unusable Reserves - Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) reduced to £38,521k from £50,859k • HRA – Total Adjustments to Revenue Resources reduced to (£10,427k) from (£22,765k), resulting in Movement in Unusable Reserves – Total Adjustments to Revenue Resources reducing to £50,969k from £63,308k • HRA - Total Adjustments changed to £4,919k from (£7,419k), as a result Movement in Unusable Reserves – Total Adjustments decreased to £27,988k from £40,326k.
58	Note 9 – Adjustments between Accounting Basis and Funding Basis	<p>Typing error on 2015/16 Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)– General Fund balance at 31 March 2016 should read (£32,956k), not (£32,932k) and Movement in Unusable Reserves should read £15,129k not £15,105k.</p> <p>Typing error also on 2015/16 Total adjustments to Revenue Resources, General Fund balance should read (£43,661k) not (£43,637k) and the Movement in Unusable Reserves should read £26,289k not £26,266k. No change to bottom-line figures – presentational.</p>
61	Note 11 – Other Operating Expenditure	2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance – Gains/losses on the Disposal of Non-Current Assets increased to £3,736k from £3,543k, as a result Total Other Operating Expenditure increased to £15,639k from £15,446k.
62	Note 14 – PPE	<p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • Council Dwellings – Revaluation increases/(decreases) recognised in the Revaluation Reserve reduced to £30,245k from £53,332k, as a result Total Property, Plant and Equipment - Revaluation increases/(decreases) recognised in the Revaluation Reserve increased to £79,729k from £52,816k

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		<ul style="list-style-type: none"> • Council Dwellings - Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services decreased to £4,985k from £17,970k, as a result Total Property, Plant and Equipment - Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services reduced to (£7,697k) from (£20,682k) • Council Dwellings – Derecognition – disposals increased to (£2,130k) from (£1,937k), as a result Total Property, Plant and Equipment - Derecognition – disposals increased to (£20,865k) from (£20,672k) • Council Dwellings – Balance as at 31 March 2017 increased to £449,370k from £409,665k • Council Dwellings - Depreciation written out to the Revaluation Reserve increased to £2,958k from £2,504k, as a result Total Property, Plant and Equipment - Depreciation written out to the Revaluation Reserve increased to £6,771k from £6,318k • Council Dwellings - Depreciation written out to the Surplus/Deficit on the Provision of Services reduced to £1,529k from £1,983k, as a result Total Property, Plant and Equipment - Depreciation written out to the Surplus/Deficit on the Provision of Services reduced to £1,993k from £2,447k • Council Dwellings – Net Book Value Balance as at 31 March 2017 increased to £449,395k from £409,690k, as a result Total Property, Plant and Equipment - Balance as at 31 March 2017 increased to £1,309,583k from £1,269,878k. <p>Typing error on opening balances, Balance as at 31 March 2016 for Land and Buildings should read £485,009k not £485,323k and Surplus Assets should read £4,893k not £4,579k.</p>
66	Note 16 – Financial instruments	Debtors financial assets carried at contract amounts has reduced to £17,529k from £28,437k as prepayments had initially been included however these are not to be treated as a financial instrument.
70	Note 21 – Creditors	Footnote added under Note 21 Creditors in respect of PFI short-term liability.
74	Note 24 – Unusable Reserves	2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance – the Revaluation Reserve increased to (£263,823k) from (£236,580k) and the Capital Adjustment Account increased to (£538,503k) from (£526,041k), as a result the Total unusable reserves increased to (£385,372k) from (£345,668k).
75	Note 24 – Unusable Reserves – Revaluation Reserve	<p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> • Downward revaluation of assets and impairment losses changed to (£19,712k) from £7,654k, as a result the Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services increased to (£86,500k) from (£59,134k) • Accumulated gains on assets sold or scrapped increased to £180k from £57k, as a result the Amount

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		<p>written off to the Capital Adjustment Account increased to £3,252k from £3,128k</p> <ul style="list-style-type: none"> This results in the Balance 31 March increasing to (£263,823k) from (£236,580k).
76	Note 24 – Capital Adjustment Account	<p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance:</p> <ul style="list-style-type: none"> Revaluation losses on non-current assets reduced to £5,704k from £18,235k Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement increased to £18,000k from £17,807k Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement reduced to £80,109k from £92,447k Adjusting Amounts Written out of the Revaluation Reserve increased to (£3,252k) from (£3,128k) This results in the Net written out amount of the cost of non-current assets consumed in the year reducing to £76,856k from £89,319k and the Balance 31 March increasing to (£538,503k).
79	Note 25 – Cash Flow from Operating Activities	<p>2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance – Impairment and downward valuations reduced to (£5,704k) from (£18,235k), the Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised increased to (£18,000k) from (£17,807k) resulting in the total reducing to (£76,772k) from (£89,110k).</p>
88	Note 34 – Grant Income	<p>Others (individually less than £1m) included items that were over £1m and therefore these have been analysed out, along with their comparative 2015/16 value where applicable, as follows:</p> <p>Special Schools Provision £2,402k Stratton Park Phase 5 & 6 £1,400k A421 and M1 Junction 13 Milton Keynes Magna Park £1,150k</p> <p>No change to bottom-line figure - presentational.</p>
89	Note 34 – Grant Income credited to services	<p>Others (individually less than £1m) included items that were over £1m and therefore these have been analysed out, along with their comparative 2015/16 value where applicable, as follows:</p> <p>Asylum Seekers Grant - £1,175k Additional Grant for Schools - £3,360k</p> <p>No change to bottom-line figure - presentational.</p>

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91	Note 35 – Related Parties	Narrative added to the Pension Fund to clearly identify that Bedford Borough Council administer the fund. Total value of payments made to LGSS Law Ltd in 2016/17 also added to reflect the total paid to them in the year in relation to legal services and the role of the Monitoring Officer.
92	Note 36 – Capital Expenditure and Capital Financing	Typing error on 2017 Increase/(Decrease) in Capital Financing Requirement, changed to read £48,637k not £50,565k.
109	HRA Income and Expenditure Statement	2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance: <ul style="list-style-type: none"> • Depreciation, impairments and revaluation losses of non-current assets reduced to £7,994k from £20,525k, as a result the total expenditure is now £21,280k not £33,811k • Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement changed to (£8,359k) from £4,173k, as a result Net Expenditure of HRA Services changed to (£8,263k) from £4,269k • Gains/loss on sale of HRA Fixed Assets reduced to (£5,246k) from (£5,439k), as a result the surplus is now (£9,238k) rather than a £3,101k deficit.
110	HRA Movement on the HRA Statement	2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance: <ul style="list-style-type: none"> • (Surplus) or Deficit on the HRA Income and Expenditure Statement changed to a (£9,238k) surplus from a £3,101k deficit • Adjustments between accounting basis and funding basis under statute changed to £4,919k from (£7,419k) • Transfers to/from the Capital Adjustment Account reduced to (£7,994k) not (£20,525k) • Gain or loss on sale of non-current assets reduced to £5,246k from £5,439k • As a result the Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year has changed from (£7,419k) to £4,919k.
111	HRA Note 2	2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance – Council dwellings valuation has increased to £449,395k from £409,665k, as a result the total HRA assets valuation has increased to £456,274k.

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112	HRA Note 3	Amended narrative for Major Repairs Reserve to reflect the same wording used in Note 23.
114	HRA Note 6	2016/17 values have been updated to reflect the change in the valuation of Council housing stock following the application of the 10% impairment allowance – Council Dwellings impairment has reduced to (£3,456k) from (£15,987k), resulting in the total impairment figure reducing to (£3,427k).

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Ernst & Young
400 Capability Green
Luton
LU1 3LU

27 September 2017

Management Representation Letter

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Central Bedfordshire Council (“the Council”) for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Central Bedfordshire Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

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D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 27 September 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 42 to the financial statements all guarantees that we have given to third parties.

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F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

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

Yours faithfully,

Director of Resources & Section 151 Officer

I confirm that this letter has been discussed and agreed at the Audit Committee on
27 September 2017

Chairman of the Audit Committee

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Central Bedfordshire Council

AUDIT COMMITTEE

27 September 2017

Update On The General Data Protection Regulation

Advising Officer: Stephan Conaway, Chief Information Officer
(Stephan.conaway@centralbedfordshire.gov.uk)

Contact Officers: Sean Dykes, Information Security Manager
(sean.dykes@centralbedfordshire.gov.uk)

Maria Damigos, Corporate Lawyer, LGSS Law Ltd

Purpose of this report

1. The report seeks to provide an overview of the General Data Protection Regulation (GDPR) and the Council's plans for compliance.

RECOMMENDATIONS

The Committee is asked to:

- i. Note the position with the GDPR.

Overview and Scrutiny Comments/Recommendations

2. This is a report to update the committee on the GDPR. No decision is necessary and the report has not been considered by the Overview & Scrutiny Committees.

Introduction

3. At the Audit Committee meeting of 29 June 2017 Members considered the position with the GDPR and asked for a report from the Chief Information Officer to update Members.

Background

4. How personal data is dealt with in the UK is currently governed by the Data Protection Act 1998 (DPA) which was enacted to bring the European Union (EU) Data Protection Directive 1995 into UK law.
5. The GDPR is an EU Regulation by which the European Parliament, the Council of the European Union and the European Commission intended to give control back to citizens and residents over their personal data and to simplify the regulatory environment for international business by unifying the regulations within the EU.

6. The regulation was adopted on 27 April 2016. It becomes enforceable from 25 May 2018 after a two-year transition period. It does not require any enabling legislation to be passed by national governments and is thus directly binding and applicable whilst the UK is a member of the EU. The UK government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.
7. A Data Protection Bill is to be considered by parliament in September to incorporate the requirements of the GDPR into UK legislation. It is anticipated that this will ensure that the GDPR requirements are still applicable after the UK leaves the EU.

Summary of Changes

8. The GDPR extends the rights and responsibilities contained in the DPA. Apart from private use, it will apply to all individuals and organisations storing or using personal data and will include a 'data processor' (someone who acts on a data controller's behalf).
9. Under the DPA the data controller was responsible for the data. Data processors will now have specific obligations in relation to record keeping and processing and will have more legal liability in the event of a breach.
10. The key areas of change are:
 - a. Lawful processing

For processing to be lawful under both the DPA and the GDPR, a lawful basis must be identified. The requirements for lawful processing under GDPR will change slightly. The Council will be able to rely on consent, compliance with a legal obligation, protection of the vital interests of a data subject or another person and performance of a task carried out in the public interest or in the exercise of official authority vested in it.

- b. Consent and Privacy Notices

The definition of consent under the GDPR is more strictly defined than under the DPA. It must be a freely given, specific, informed and an unambiguous indication of the individual's wishes. There must be a positive opt-in - consent cannot be inferred from silence, pre-ticked boxes or inactivity. Simple procedures for withdrawing consent must be in place.

The Council as a public authority and an employer will need to take particular care to ensure that consent is freely given (or rely on another basis for processing).

Where consent is not given or required individuals must be provided with a notice detailing what information is held and why, what will be done with the information and the persons rights in respect of that data.

LGSS and the Information Security Manager are developing consent templates and privacy notices that can be used across the Authority.

c. Children's personal data

The GDPR contains new provisions intended to enhance the protection of children's personal data. Where services are offered directly to a child, the Council must ensure that any privacy notice is written in a clear, plain way that a child will understand.

Specialist advice from Children's Services will be obtained to help with the drafting of the consent and privacy notice templates.

d. Individual's Rights

The GDPR both strengthens existing rights under the DPA and creates new rights for individuals. GDPR provides the following rights for individuals:

The right to be informed

The right of access

The right to rectification

The right to erasure

The right to restrict processing

The right to data portability

The right to object

Rights in relation to automated decision making and profiling.

Whilst the Council may not currently carry out activities which are affected by some of these rights the position will be monitored.

e. Accountability and Governance

The GDPR includes specific provisions that promote accountability and governance which complement the GDPR's transparency requirements.

New requirements will include records of processing activities, privacy impact assessments, privacy by design and the appointment of a Data Protection Officer.

The Council must also be able to show that the requirements are being complied with. The Council's governance measures will be reviewed and updated to take account of any requirements not already in place.

f. Breach Notification

The GDPR will introduce a duty to report all incidents where there has been a significant breach to the ICO within 72 hours. The Council already has a successful reporting system in place which will only need minor updates to comply with the timescale for reporting.

g. Transfers of personal data to third countries or international organisations

The GDPR imposes restrictions on the transfer of personal data outside the European Union, to third countries or international organisations, in order to ensure that the level of protection of individuals afforded by the GDPR is not undermined. The Council will need to clarify how this applies to information held in “the cloud” and ensure appropriate safeguards are in place.

11. The GDPR also significantly increases the maximum fine for a data protection breach which can be imposed from £500,000 to either 10 million euros or 20 million euros (or 2% or 4% of global turnover in the preceding financial year respectively) depending on the type of breach.

Current Position

12. A GDPR Working Group has been set up to monitor and implement the requirements of the GDPR within the Council. The group is made up of the Information Security Manager, LGSS Corporate Lawyer, Head of Internal Audit, Deputy Chief Information Officer, Records and Risk Officer and Information Request Officer. Updates are provided to the Monitoring Officer, SIRO/Chief Information Officer, CMT and the Information Assurance Group (IAG) as necessary.
13. The IAG includes senior officers from Human Resources, Internal Audit, IT, Children’s Services, Adult Services and the Caldicott Guardian and can provide further support, initial approval and sense checking of proposed draft documents and procedures.
14. Appendix A sets out the ICO Recommended Actions and the Council’s current position.
15. As detailed above a template is being drafted which will allow all departments to create/update their privacy notices or consents. Once rolled out, it is proposed that drop in sessions will be available for queries.
16. The Council’s data protection training is to be reviewed and revised early 2018 and this will also take account of the new requirements of the GDPR.

17. A more detailed Action Plan is also to be developed. It is anticipated that any areas of weakness identified by Internal Audits, the privacy notices or consents and/or drop in sessions will feed into both the Action Plan and the new data protection training where appropriate.

Council Priorities

18. Compliance with legal obligations ensures that Council delivers its priorities and contributes to the achievement of all the Council's priorities.

Corporate Implications

Risk Management

19. Failure to implement the requirements of the GDPR would be a breach of the law. This is already identified as a significant governance issue within the draft Annual Governance Statement for 2016/17. It is however anticipated that all requirements will be met or implemented.

Staffing (including Trades Unions)

20. There are none.

Legal Implications

21. The GDPR will become law in the UK on 25 May 2018. The Council will need to comply with the GDPR and any other applicable legislation.

Financial Implications

22. Although this report has no financial implications, resources will be required for implementation of, and compliance with, the GDPR which will either be met from existing budgets or will be the subject of further reports to the appropriate committee or Executive.

Equalities Implications

23. None arising directly from this report.

Conclusion and next Steps

24. Development of a detailed Action Plan with ongoing awareness raising for all staff. Drop in sessions to assist departments with specific queries are also to be arranged and delivered.

Appendices

The following Appendices are attached:

Appendix A – ICO Recommended Actions

Further information can be obtained from:

<https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/>

Action as recommended by ICO			Date Completed
Action Ongoing	Position as at 9/8/17	Position Sep 17 (Working Group 12 Sep)	
Your business has implemented appropriate technical and organisational measures to show you have considered and integrated data protection into your processing activities	Technical measures to be incorporated have been discussed with Hytech, the Council's information security technical consultants. Notices have been published to all staff on the changes on how they may affect them. Policies & Procedures will be updated during early 2018.		
Your business understands when you must conduct a DPIA and has processes in place to action this.	This was instigated at CBC during 2016. A campaign to repromote this has been commenced with email reminders sent to Directors and AD's for cascading down to Managers and Staff		
Your business has a DPIA framework which links to your existing risk management and project management processes.	This was instigated at CBC during 2016. A campaign to repromote this has been commenced with email reminders sent to Directors and AD's for cascading down to Managers and Staff		
Your business has designated responsibility for data protection compliance to a suitable individual within the organisation.	Information Security Manager who feed issues into the Information Assurance Group. This is then reported to Corporate Management Team on a quarterly basis.		
Your business has appointed a Data Protection Officer (DPO) if you are: (LIST) a public authority or you carry out large scale monitoring of individuals or you carry out large scale processing of special categories of data or data relating to criminal convictions and offences.	This is to be confirmed by the Chief Executive.		
Your business supports the data protection lead through provision of appropriate training and reporting mechanisms to senior management.	Data protection and information security training will be reviewed early in 2018 with L&D to consider changes that need to be made to it and consider more specialised training for those areas where sensitive personal data is handled more extensively.		
Your business has reviewed the various types of processing you carry out. You have identified your lawful basis for your processing activities and documented this.	We have a lawful basis for processing, although we will study the new data protection bill for any new requirements.		
Your business has explained your lawful basis for processing personal data in your privacy notice(s).	SD and MD LGSS will be working on a new draft privacy notice during August		
Your business has documented what personal data you hold, where that data came from and who it is shared with.	This will be considered by SD and CAG. Will take advice from Internal Audit on how best to do it		
Your business has planned to conduct an information audit across the organisation to map data flows.	Will speak to Internal Audit on this		
Your business has reviewed how you seek, record and manage consent.	MD LGSS and SD will be working on new consent notices for all departments shortly		
Your business has reviewed the systems currently used to record consent and implemented appropriate mechanisms in order to ensure an effective audit trail.	SD to speak to Hytec (Information Security technical experts) regarding this.		

Decision makers and key people in your business are aware that the law is changing to the GDPR and appreciate the impact this is likely to have.	Yes. CMT and Members have been made aware of the changes and there likely effect.		
Your business has identified areas that could cause compliance problems under the GDPR and has recorded these on the organisation's risk register.	We are working with Internal Audit on this		
Your business is raising awareness across the organisation of the changes that are coming.	Regular updates have been published in local media (Staff Central, Managers Emails) since the beginning of 2017. More detailed information on the changes coming is now being directed at Directors and AD's.		
Your business has set out the management support and direction for data protection compliance in a framework of policies and procedures.	We already have this in place. All policies and procedures will be reviewed early in 2018 to assess the need for change to reflect the new regulation.		
Your business monitors compliance with data protection policies and regularly reviews the effectiveness of data handling and processing activities and security controls.	Policies are reviewed every two years currently. All our information governance policies will be reviewed early in 2018 and amended to reflect the new regulations. These will only be published generally once GDPR is law. Our training package is being reviewed in conjunction with L&D beginning in Jan 2018.		
Your business has developed and implemented a needs-based data protection training programme for all staff.	See above. This will be developed with L&D colleagues from Jan 2018.		
Your business has documented what personal data you hold, where that data came from and who it is shared with.	All our information sharing arrangements are documented and must be approved by an authorisation group consisting of Caldecott Guardian, LGSS Corporate Lawyer, Information Security Manager and Records & Risk Officer. We will need to check how personal data holdings are recorded.		
Your business has planned to conduct an information audit across the organisation to map data flows.	We will need to consult Internal Audit on this.		
Your business has checked your procedures to ensure that you can deliver the rights of individuals under the GDPR.	This action is ongoing		
Your business has reviewed your procedures and has plans in place for how you will handle requests from individuals for access to their personal data within the new timescales outlined in the GDPR.	We will be working on this from Jan 2018. The system we have will be easy to change and we will ensure that all users are aware of the changes in plenty of time prior to implementation.		
Your business has reviewed your procedures and has plans in place for how you will provide any additional information to requestors as required under the GDPR.	Our system is already very robust and will require minimal alteration.		
Your business has implemented appropriate procedures to ensure personal data breaches are detected, reported and investigated effectively.	These have been in place for two years.		
Your business has mechanisms in place to assess and then report relevant breaches to the ICO where the individual is likely to suffer some form of damage, e.g. through identity theft or confidentiality breach.	The Information Security Manager is notified of all breaches and will make an assessment on each incident on what action needs to be taken.		

<p>Your business has mechanisms in place to notify affected individuals where the breach is likely to result in a high risk to their rights and freedoms.</p>	<p>See above. Information Security Manager, sometimes in consultation with LGSS, will assess if this action needs to be completed.</p>		
<p>If your business offers services directly to children, you communicate privacy information in a clear, plain way that a child will understand.</p>	<p>MD LGSS and SD will be looking at this shortly</p>		
<p>If your business offers ‘information society services’ directly to children, your business has systems in place to verify individuals’ ages and to obtain parental or guardian consent where required.</p>	<p>Information Society services are defined as “any service normally provided for remuneration, at a distance, by electronic means and at the individual request of the recipient for services”. This is normally taken to refer to social media or games. Further investigation to take place to see if CBC provides any services that might still come within the definition</p>		
<p>If your business operates in more than one EU member state, you have determined your business’s lead supervisory authority and documented this.</p>	<p>Not applicable</p>		

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Central Bedfordshire Council

AUDIT COMMITTEE

27 September 2017

Annual Governance Statement 2016/17

Advising Officer: Quentin Baker, Monitoring Officer
(quentin.baker@centralbedfordshire.gov.uk)

Contact Officer: Maria Damigos, Corporate Lawyer, LGSS Law Ltd

Purpose of this report

1. The report seeks to update the Committee on amendments made to the draft Annual Governance Statement and requests the Committee's approval of the Statement.

RECOMMENDATIONS

The Committee is asked to:

- i. Approve the updated draft Annual Governance Statement attached as Appendix A.

Overview and Scrutiny Comments/Recommendations

2. The Audit Committee is responsible for overseeing the production of the Annual Governance Statement and therefore this matter has not been considered by the Overview & Scrutiny Committees.

Background

3. The Audit Committee's terms of reference include responsibility for overseeing the production of the Council's Annual Governance Statement.
4. On 27 June 2017 the Audit Committee approved the draft Annual Governance Statement which was attached as Appendix A to the report.
5. The draft Annual Governance Statement has been considered by the Council's external auditors and in view of comments received Section 5 of the Statement (Significant Governance Issues) has been amended to clarify and explain the issues and how the Council is dealing with them in more detail. The updates have been considered by the Corporate Management Team.

Proposed Amendments

6. A clean amended version of the updated Annual Governance Statement is attached as Appendix A. A tracked version showing the proposed amendments is attached as Appendix B.
7. Details of the identified significant governance issues from the 2015/16 Annual Governance Statement have been included together with an update of their status.
8. The current significant governance issues were also amended to include details and an explanation of the actions being taken by the Council to manage the issues. Part 5 now also highlights that whilst the GDPR has been retained as a significant governance issue from the 2015/16 Annual Governance Statement, it is considered that the implementation programme for GDPR will result in full compliance being achieved by May 2018. GDPR has accordingly not been entered on the Strategic Risk Register as a risk.
9. Amendments have also been made to clarify the process of risk monitoring.

Next Steps

10. The Audit Committee is asked to consider whether the updated draft Annual Governance Statement accurately reflects the governance arrangements and the management of risk.

Council Priorities

11. A sound system of corporate governance provides the framework and assurance within which the Council can deliver its priorities with confidence. Sound governance arrangements contribute to the achievement of all the Council's priorities.

Corporate Implications

Risk Management

12. The Annual Governance Statement identifies a number of significant governance issues and, where appropriate, these have been identified in the Council's Risk Register, together with mitigating action to reduce the level of the risk.

Staffing (including Trades Unions)

13. There are none.

Legal Implications

14. The Accounts and Audit Regulations 2015 require the Council to conduct an annual review of its systems of internal control. The preparation of an Annual Governance Statement forms part of that process.

Financial Implications

15. The Annual Governance Statement will be reported alongside the Council's Statement of Accounts for 2016/17, but this report has no financial implications.

Equalities Implications

16. None arising directly from this report.

Conclusion and next Steps

17. If approved by the Audit Committee, the Statement will be submitted to the Leader and Chief Executive for formal sign off.

Appendices

The following Appendices are attached:

Appendix A – Updated Draft Annual Governance Statement (clean copy)

Appendix B – Updated Draft Annual Governance Statement (tracked copy)

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CENTRAL BEDFORDSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016/17

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.

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 2017 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 The Governance Framework

The Council's governance framework contributes to the delivery of the Council's vision and values and the key elements of the processes and systems that comprise the framework are as follows:

- Strategic leadership provided by Members including the development and review of the Council's visions, priorities and values. These detail the Council's vision of its purpose and intended outcomes for residents and service users to all;
- Key policies are defined in the "Policy Framework" within the Budget and Policy Framework Procedure Rules in the Council's Constitution. This framework is reviewed periodically to ensure it remains fit for purpose strategically and that it is aligned to corporate priorities;
- Business planning processes which ensure that services are delivered in line with the Council's vision and values and representing the best use of all Council resources;
- Measuring performance and achievement of objectives through the mechanism of the Council's performance management system;
- A written Constitution specifying the roles and responsibilities of elected Members and Officers with protocols for effective communication;
- The Council has adopted arrangements to promote high standards of ethical governance and includes Codes of Conduct defining the standards of behaviour for both Members and Officers and a Member/Officer Protocol as part of the Constitution. Further guidance is provided in the Council's Ethical Handbook;
- The Schemes of Delegation to Members and Officers within the Constitution sets out the principles, processes and controls for decision makers. 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;
- Embedded internal systems to ensure Members are presented with the appropriate information to make decisions, including corporate implications with advice on legal, risk management and financial considerations. Member level decisions are based on reports and are recorded;
 - An Audit Committee 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;
 - Statutory Officers to support and monitor the Council's governance arrangements, ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
 - Policies for confidential reporting (whistleblowing) and an Anti-Fraud Strategy are in place to support the governance within the Council. There is a corporate complaints process with 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 and for receiving, evaluating and investigating complaints against Members;
 - A consultation strategy to ensure the Council consults with and engages the diverse communities of Central Bedfordshire, allowing them to input to the planning of services provided for them and the review of those services as appropriate;
 - A system of Overview and Scrutiny Committees with responsibility for key areas and who receive reports on key issues including budget monitoring, performance and efficiency information and provides independent checks and balances on the exercise of functions and responsibilities by the Council.

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.

The Council's review of the Governance Framework and the effectiveness of the system of internal control comprise:

- Reviews of the Governance Framework and internal control in accordance with CIPFA Guidance carried out by Internal Audit on an annual basis, including consideration of the Council's financial management arrangements conforming with the CIPFA statements on the role of the Chief Financial Officer in Local Government and the role of the Chief Internal Auditor in Public Service Organisations; In early 2017 a complete review and redraft of the Council's Code of Corporate Governance by Internal Audit and the Monitoring Officer to reflect new guidance issued by CIPFA/Solace in 2016, "Delivering Good Governance in Local Government Framework";
- Annual report and opinion on the Internal Control environment prepared by the Head of Internal Audit and Risk¹. This report draws on the outcome of audit reviews undertaken throughout 2016/17 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls;
- The completion of self-assurance statements by directors;
- the work undertaken by the external auditor reported in their annual audit and inspection letter.
- other work undertaken by independent inspection bodies.

(1) Central Bedfordshire Council's Vision

The Council's overall objective is to create Central Bedfordshire as a "great place to live and work" and the Council's medium term 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 Council's Budget and Policy Framework contains specific plans, policies and strategies driving delivery of the Council's priorities and key work programmes.

¹ The role of Chief Internal Auditor within Central Bedfordshire Council is undertaken by the Head of Internal Audit and Risk

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) Service Quality

The Council has used regular performance reporting to ensure a sustained focus on those things that matter most to local people.

At a strategic level, the Corporate Management Team (CMT) reviews reports on the performance of the Council on a monthly basis. CMT also reviews the MTP progress or status report on a quarterly basis. This report is presented to the Executive with any specific issues addressed through the Overview and Scrutiny Committees.

At an operational level performance data is populated on the Council's performance system by relevant Directorates. Directors have responsibility for ensuring that relevant data and commentaries are published on the system. Directorate Management Teams also regularly considered their key performance data, with associated commentary provided by Assistant Directors and/or Heads of Service as appropriate.

The Head of Paid Service, Monitoring Officer and Chief Finance Officer also met 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.

(3) Key Roles and Responsibilities

The Council's Constitution sets out how the Council operates and sets out clearly what matters are reserved to full Council and those powers which have been delegated to committees and officers, Executive and Members.

Whilst the key roles and responsibilities will not change the format of the Constitution has been reviewed by the Monitoring Officer to group relevant and similar matters. The review will shortly be finalised.

(4) Codes of Conduct and standards of behaviour of Officers and Members

Central Bedfordshire Council continues to promote high standards of ethical governance. Complaints about the Council's Members is regularly reviewed via the performance reports to CMT and bi-annually at General Purposes Committee which has responsibility for overseeing the arrangements for the Code of Conduct.

The Council's Ethical Handbook contains additional 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.

(5) Decisions, processes and controls

The Scheme of Delegation within the Constitution sets out the powers delegated to various Officers as well as the limits, processes and controls for those powers.

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.

(6) Audit Committee

The Audit Committee provides independent assurance of the adequacy of the Council's control environment and oversees the financial reporting process.

The Audit Committee met regularly during 2016/17, considering reports, including the annual Internal Audit Report from the Chief Internal Auditor, the Council's Senior Finance Officers and the External Auditor as well as other officers as and when appropriate. The Chair of the Audit Committee presents an annual report to Council detailing the work of the Committee in the preceding year.

(7) Compliance with relevant laws and regulations

The Council continues to have access to a team of professional legal staff with specialist knowledge of its functions via LGSS Law Ltd, a firm wholly owned by the Council, Cambridgeshire County Council and Northamptonshire County Council. LGSS Law Ltd have advised on relevant laws, regulations and constitutional issues to ensure that the Council acts lawfully.

All reports 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.

(8) Whistle-blowing and complaints

The Confidential Reporting Policy was reviewed and updated in 2016/17 to reflect changes to roles and responsibilities. The Anti-Fraud Strategy was due to be reviewed during 2016/17 however the target date has been extended to December 17.

The Council welcomes feedback and has a three stage complaints process for customers with separate statutory procedures for Children's Services and Adult Social Care.

(9) Development and Training for Officers and Members

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 supported all Members and has provided essential updates and training sessions.

(10) Channels of Communication

Central Bedfordshire Council has continued to enhance its communication with the public, staff and other stakeholders during 2016/17. It has maintained presence on social media and continued to provide the quarterly community magazine, and weekly staff and Member bulletins.

The Council's website has been enhanced to ensure further engagement with the public and proactive media relations have also ensured that Council decision making and service developments are effectively reported to the media.

(11) Equality and Diversity

The Council has continued to promote equality of opportunity and eliminate unlawful discrimination, harassment and victimisation and foster good relations during 2016/17. Equality Impact Assessments have been conducted for the development of relevant strategies, policies and services and the Council's Equality Forum have been available to quality assure any significant Council Strategies and Policies.

(12) 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.

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.

(13) Internal Audit

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. All Internal Audit reports included an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These were submitted to Members, Directors, Heads of Service 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 2016/17, and the Internal Audit Team is fully compliant with the Standards.

(14) Peer Review

The Council has carried out a number of peer reviews during the year, the latest of which was an organisational wide review focusing on partnerships. Although carried out in May 2017, and therefore strictly part of the 2017/18 report, it is worth noting that a peer review took place, focussing in particular on:

1. Understanding of the local place and priority setting
2. Leadership of Place
3. Financial planning and viability
4. Organisational leadership and governance
5. Capacity to deliver

The draft findings will be included in next year's report but two of the conclusions were:

- Sound financial management which is well understood across the Council and has allowed us to avoid some of the more draconian service reductions that others have implemented.
- Strong partnership working in some contexts with a desire for even stronger collaboration specifically on Central Bedfordshire specific issues.

4.0 ANNUAL AUDIT REPORT FOR 2016/17

The Council's Head of Internal Audit submitted his opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 29 June 2017. 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 his 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.

Four of the fundamental system reviews received a Full Assurance audit opinion and a further four have received an opinion of Adequate Assurance, only Swift Financials received a Limited Opinion and it is expected that the all of the key issues will be resolved as part of the coming software replacement or upgrade project.

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 and Internal Audit has continued to track the implementation of high priority recommendations throughout the year and report to the Audit Committee.

Last year's Governance statement highlighted issues with the ICT Disaster Recovery Plan. Since then ICT management is increasingly looking to cloud services where feasible, which in addition to functionality improvement for end users is considered to provide improved resilience and disaster recovery procedures. The Audit Committee received direct assurance from ICT management at the April 2017 meeting along with an updated Disaster Recovery Plan. A follow up Internal Audit is currently in progress.

5.0 SIGNIFICANT GOVERNANCE ISSUES

In previous Annual Governance Statements certain significant governance issues were identified and for the period 2015/16 were as follows:

- 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 first of these issues is ongoing and has been retained as a significant governance issue as detailed below. In relation to the second the requirements in the 2016 Framework have been implemented including the adoption of a new Local Code of Corporate Governance.

For the period 2016/17 the significant governance issues which could impact the Council are detailed below, together with the measures that the Council intends to take to manage the risks associated with these issues.

- 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. The action plan for management of this issue includes regular reviews of the Council's current and planned compliance supported by legal advisors and an officer working group. A programme for raising awareness and implementation of necessary improvements has been commenced together with updates to CMT and assurances are planned for Audit Committee. It is considered that this approach will ensure that full compliance will be achieved by May 2018 and therefore it has not been entered onto the Strategic Risk Register

Central Bedfordshire does continue to face significant future challenges arising from a significant reduction in Central Government funding. The Council is mitigating this by being prudent in its medium term financial plan and continues to consider longer term planning. A Certainty Deal was agreed with the Government in October 2016 to fix the Revenue Support Grant element of the funding settlement. The Council is pursuing a significant transformation programme throughout the organisation to ensure that modern, efficient and effective ways of working are in place to support all service provision whilst continuing to drive down costs and seek out appropriate opportunities. There is a particular focus across the Council on the digitisation of services to provide better customer access and enhance the customer experience. Staff are being enabled to work in an agile manner, from any location. Resources have been set aside to assist with the transformation programme.

Where appropriate, significant governance issues are identified as part of the Council's Strategic Risk Management regime, which is then subject to regular monitoring by CMT to ensure appropriate mitigating action is taken.

The following Strategic risks have an impact on governance:

- Failure to deliver major transformation programme within Children's Services.
- Risk of failure to deliver community cohesion in the context of the demographic growth in Central Bedfordshire. Some settlements will experience considerable expansion and we need to manage potential resentment, secure equal access to facilities and enhance a sense of community.
- Fragility of Partners/Failure of Partners: Central Bedfordshire's vision cannot be delivered in isolation. All partners, including Police, Probation, Health, the Voluntary Community Sector, independent care providers and Town and Parish Councils are experiencing significant changes and pressures. These include budgetary pressures, transfer of responsibilities, geographical factors, confusing accountabilities, increasing complexities, fragility and volatility. There is an increased risk that services to our public will be compromised and that increased costs will fall on the Council.
- The political and economic uncertainty around potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union and other significant international events, which may impact on Council objectives.
- The capacity of the Council to deliver services in the light of the scale of the efficiencies we need to make, taking account of the increasing importance of our income from NNDR, the impact of changes to HRA financing and the anticipated transfer of new responsibilities to councils without the concomitant funding, such as the administration of attendance allowances.
Also reflects the impacts of shifts in Government policy, for example, the impact of the move towards Academies.
- Failure to deliver the Organisational Development Plan.

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. The Confidential Reporting Policy has been updated to support compliance with the Code. There is an annual report to the Audit Committee on the Council’s anti-fraud work.

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.

Action:	Responsibility:	Target Date:
To finalise the review of the Anti Fraud and Corruption Strategy to support compliance with the Code.	Chief Finance Officer	End December 2017

7.0 CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2016/17 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.

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J JAMIESON
LEADER OF THE COUNCIL

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R CARR
CHIEF EXECUTIVE

Dated
.....

Dated
.....

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Appendix B

CENTRAL BEDFORDSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016/17

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.

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 2017 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 The Governance Framework

The Council's governance framework contributes to the delivery of the Council's vision and values and the key elements of the processes and systems that comprise the framework are as follows:

- Strategic leadership provided by Members including the development and review of the Council's visions, priorities and values. These detail the Council's vision of its purpose and intended outcomes for residents and service users to all;
- Key policies are defined in the "Policy Framework" within the Budget and Policy Framework Procedure Rules in the Council's Constitution. This framework is reviewed periodically to ensure it remains fit for purpose strategically and that it is aligned to corporate priorities;
- Business planning processes which ensure that services are delivered in line with the Council's vision and values and representing the best use of all Council resources;
- Measuring performance and achievement of objectives through the mechanism of the Council's performance management system;
- A written Constitution specifying the roles and responsibilities of elected Members and Officers with protocols for effective communication;
- The Council has adopted arrangements to promote high standards of ethical governance and includes Codes of Conduct defining the standards of behaviour for both Members and Officers and a Member/Officer Protocol as part of the Constitution. Further guidance is provided in the Council's Ethical Handbook;
- The Schemes of Delegation to Members and Officers within the Constitution sets out the principles, processes and controls for decision makers. 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;
- Embedded internal systems to ensure Members are presented with the appropriate information to make decisions, including corporate implications with advice on legal, risk management and financial considerations. Member level decisions are based on reports and are recorded;
 - An Audit Committee 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;
 - Statutory Officers to support and monitor the Council's governance arrangements, ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
 - Policies for confidential reporting (whistleblowing) and an Anti-Fraud Strategy are in place to support the governance within the Council. There is a corporate complaints process with 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 and for receiving, evaluating and investigating complaints against Members;
 - A consultation strategy to ensure the Council consults with and engages the diverse communities of Central Bedfordshire, allowing them to input to the planning of services provided for them and the review of those services as appropriate;
 - A system of Overview and Scrutiny Committees with responsibility for key areas and who receive reports on key issues including budget monitoring, performance and efficiency information and provides independent checks and balances on the exercise of functions and responsibilities by the Council.

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.

The Council's review of the Governance Framework and the effectiveness of the system of internal control comprise:

- Reviews of the Governance Framework and internal control in accordance with CIPFA Guidance carried out by Internal Audit on an annual basis, including consideration of the Council's financial management arrangements conforming with the CIPFA statements on the role of the Chief Financial Officer in Local Government and the role of the Chief Internal Auditor in Public Service Organisations; In early 2017 a complete review and redraft of the Council's Code of Corporate Governance by Internal Audit and the Monitoring Officer to reflect new guidance issued by CIPFA/Solace in 2016, "Delivering Good Governance in Local Government Framework";
- Annual report and opinion on the Internal Control environment prepared by the Head of Internal Audit and Risk¹. This report draws on the outcome of audit reviews undertaken throughout 2016/17 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls;
- The completion of self-assurance statements by directors;
- the work undertaken by the external auditor reported in their annual audit and inspection letter.
- other work undertaken by independent inspection bodies.

(1) Central Bedfordshire Council's Vision

The Council's overall objective is to create Central Bedfordshire as a "great place to live and work" and the Council's medium term 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 Council's Budget and Policy Framework contains specific plans, policies and strategies driving delivery of the Council's priorities and key work programmes.

¹ The role of Chief Internal Auditor within Central Bedfordshire Council is undertaken by the Head of Internal Audit and Risk

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) Service Quality

The Council has used regular performance reporting to ensure a sustained focus on those things that matter most to local people.

At a strategic level, the Corporate Management Team (CMT) reviews reports on the performance of the Council on a monthly basis. CMT also reviews the MTP progress or status report on a quarterly basis. This report is presented to the Executive with any specific issues addressed through the Overview and Scrutiny Committees.

At an operational level performance data is populated on the Council's performance system by relevant Directorates. Directors have responsibility for ensuring that relevant data and commentaries are published on the system. Directorate Management Teams also regularly considered their key performance data, with associated commentary provided by Assistant Directors and/or Heads of Service as appropriate.

The Head of Paid Service, Monitoring Officer and Chief Finance Officer also met 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.

(3) Key Roles and Responsibilities

The Council's Constitution sets out how the Council operates and sets out clearly what matters are reserved to full Council and those powers which have been delegated to committees and officers, Executive and Members.

Whilst the key roles and responsibilities will not change the format of the Constitution has been reviewed by the Monitoring Officer to group relevant and similar matters. The review will shortly be finalised.

(4) Codes of Conduct and standards of behaviour of Officers and Members

Central Bedfordshire Council continues to promote high standards of ethical governance. Complaints about the Council's Members is regularly reviewed via the performance reports to CMT and bi-annually at General Purposes Committee which has responsibility for overseeing the arrangements for the Code of Conduct.

The Council's Ethical Handbook contains additional 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.

(5) Decisions, processes and controls

The Scheme of Delegation within the Constitution sets out the powers delegated to various Officers as well as the limits, processes and controls for those powers.

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.

(6) Audit Committee

The Audit Committee provides independent assurance of the adequacy of the Council's control environment and oversees the financial reporting process.

The Audit Committee met regularly during 2016/17, considering reports, including the annual Internal Audit Report from the Chief Internal Auditor, the Council's Senior Finance Officers and the External Auditor as well as other officers as and when appropriate. The Chair of the Audit Committee presents an annual report to Council detailing the work of the Committee in the preceding year.

(7) Compliance with relevant laws and regulations

The Council continues to have access to a team of professional legal staff with specialist knowledge of its functions via LGSS Law Ltd, a firm wholly owned by the Council, Cambridgeshire County Council and Northamptonshire County Council. LGSS Law Ltd have advised on relevant laws, regulations and constitutional issues to ensure that the Council acts lawfully.

All reports 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.

(8) Whistle-blowing and complaints

The Confidential Reporting Policy was reviewed and updated in 2016/17 to reflect changes to roles and responsibilities. The Anti-Fraud Strategy was due to be reviewed during 2016/17 however the target date has been extended to December 17.

The Council welcomes feedback and has a three stage complaints process for customers with separate statutory procedures for Children's Services and Adult Social Care.

(9) Development and Training for Officers and Members

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 supported all Members and has provided essential updates and training sessions.

(10) Channels of Communication

Central Bedfordshire Council has continued to enhance its communication with the public, staff and other stakeholders during 2016/17. It has maintained presence on social media and continued to provide the quarterly community magazine, and weekly staff and Member bulletins.

The Council's website has been enhanced to ensure further engagement with the public and proactive media relations have also ensured that Council decision making and service developments are effectively reported to the media.

(11) Equality and Diversity

The Council has continued to promote equality of opportunity and eliminate unlawful discrimination, harassment and victimisation and foster good relations during 2016/17. Equality Impact Assessments have been conducted for the development of relevant strategies, policies and services and the Council's Equality Forum have been available to quality assure any significant Council Strategies and Policies.

(12) 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.

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.

(13) Internal Audit

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. All Internal Audit reports included an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These were submitted to Members, Directors, Heads of Service 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 2016/17, and the Internal Audit Team is fully compliant with the Standards.

(14) Peer Review

The Council has carried out a number of peer reviews during the year, the latest of which was an organisational wide review focusing on partnerships. Although carried out in May 2017, and therefore strictly part of the 2017/18 report, it is worth noting that a peer review took place, focussing in particular on:

1. Understanding of the local place and priority setting
2. Leadership of Place
3. Financial planning and viability
4. Organisational leadership and governance
5. Capacity to deliver

The draft findings will be included in next year's report but two of the conclusions were:

- Sound financial management which is well understood across the Council and has allowed us to avoid some of the more draconian service reductions that others have implemented.
- Strong partnership working in some contexts with a desire for even stronger collaboration specifically on Central Bedfordshire specific issues.

4.0 ANNUAL AUDIT REPORT FOR 2016/17

The Council's Head of Internal Audit submitted his opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 29 June 2017. 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 his 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.

Four of the fundamental system reviews received a Full Assurance audit opinion and a further four have received an opinion of Adequate Assurance, only Swift Financials received a Limited Opinion and it is expected that the all of the key issues will be resolved as part of the coming software replacement or upgrade project.

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 and Internal Audit has continued to track the implementation of high priority recommendations throughout the year and report to the Audit Committee.

Last year's Governance statement highlighted issues with the ICT Disaster Recovery Plan. Since then ICT management is increasingly looking to cloud services where feasible, which in addition to functionality improvement for end users is considered to provide improved resilience and disaster recovery procedures. The Audit Committee received direct assurance from ICT management at the April 2017 meeting along with an updated Disaster Recovery Plan. A follow up Internal Audit is currently in progress.

5.0 SIGNIFICANT GOVERNANCE ISSUES

In previous Annual Governance Statements certain significant governance issues were identified and for the period 2015/16 were as follows:

- 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 first of these issues is ongoing and has been retained as a significant governance issue as detailed below. In relation to the second the requirements in the 2016 Framework have been implemented including the adoption of a new Local Code of Corporate Governance.

For the period 2016/17 the significant governance issues which could impact the Council are detailed below 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 GMT.

The following significant governance issues were identified during 2016/17:

- 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. The action plan for management of this issue includes regular reviews of the Council's current and planned compliance supported by legal advisors and an officer working group. A programme for raising awareness and implementation of necessary improvements has been commenced together with updates to CMT and assurances are planned for Audit Committee. It is considered that this approach will ensure that full compliance will be achieved by May 2018 and therefore it has not been entered onto the Strategic Risk Register

Central Bedfordshire does continue to face significant future challenges arising from a significant reduction in Central Government funding. The Council is mitigating this by being has been prudent in its medium term financial plan and continues to consider longer term planning. A Certainty Deal was agreed with the Government in October 2016 to fix the Revenue Support Grant element of the funding settlement. The Council is pursuing a significant transformation programme throughout the organisation to ensure that modern, efficient and effective ways of working are in place to support all service provision whilst continuing to drive down costs and seek out appropriate opportunities. There is a particular focus across the Council on the digitisation of services to provide better customer access and enhance the customer experience. Staff are ~~and~~ being enabled to work in an agile manner, from any location. Resources have been set aside to assist with the transformation programme.

Where appropriate, significant governance issues are identified as part of the Council's Strategic Risk Management regime, which is then subject to regular monitoring by CMT to ensure appropriate mitigating action is taken.

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

- Failure to deliver major transformation programme within Children's Services.
- Risk of failure to deliver community cohesion in the context of the demographic growth in Central Bedfordshire. Some settlements will experience considerable expansion and we need to manage potential resentment, secure equal access to facilities and enhance a sense of community.
- Fragility of Partners/Failure of Partners: Central Bedfordshire's vision cannot be delivered in isolation. All partners, including Police, Probation, Health, the Voluntary Community Sector, independent care providers and Town and Parish Councils are experiencing significant changes and pressures. These include budgetary pressures, transfer of responsibilities, geographical factors, confusing accountabilities, increasing complexities, fragility and volatility. There is an increased risk that services to our public will be compromised and that increased costs will fall on the Council.
- The political and economic uncertainty around potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union and other significant international events, which may impact on Council objectives.
- The capacity of the Council to deliver services in the light of the scale of the efficiencies we need to make, taking account of the increasing importance of our income from NNDR, the impact of changes to HRA financing and the anticipated transfer of new responsibilities to councils without the concomitant funding, such as the administration of attendance allowances.
Also reflects the impacts of shifts in Government policy, for example, the impact of the move towards Academies.
- Failure to deliver the Organisational Development Plan.

~~Whilst these risks are identified and regularly monitored, this report shows that they are being addressed and mitigated wherever possible.~~

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:

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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.

Action:	Responsibility:	Target Date:
To finalise the review of the Anti Fraud and Corruption Strategy to support compliance with the Code.	Chief Finance Officer	End December 2017

7.0 CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2016/17 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.

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J JAMIESON
LEADER OF THE COUNCIL

Dated

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R CARR
CHIEF EXECUTIVE

Dated

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Central Bedfordshire Council

AUDIT COMMITTEE

27th September 2017

Risk Update Report

Report of Charles Warboys, Director of Resources
(charles.warboys@centralbedfordshire.gov.uk)

Contact Officer: Clint Horne, Head of Internal Audit and Risk
(clint.horne@centralbedfordshire.gov.uk)

Purpose of this report:

The purpose of this report is to give an overview of the Council's risk position as at August 2017.

RECOMMENDATIONS

The Committee is asked to:

1. Consider and comment on the contents of the report.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny, as this is the responsibility of the Audit Committee.

Background

2. The Terms of Reference of the Audit Committee include the monitoring of the operation of the Risk Management Strategy. This report is the regular update report to assist the Committee in discharging its responsibilities.
3. The purpose of this report is to give an overview of the Council's risk position as at August 2017.

Strategic Risks

4. As stated in the June update, CMT tasked for a full review and refresh of the Strategic Risk Register in time for the next quarterly update. Therefore all risks in the Strategic Risk Register have been reviewed and updated in consultation with individual Risk Owners, Directorate Risk Co-ordinators and then subsequently CMT together. This report provides an update on the risks currently contained within the register.
5. Given the scale of changes, full details are not included within this report but the full Strategic Risk report has been included at Appendix B. The report now contains fourteen strategic risks.

6. Since the June update three risks have been removed, two being sufficiently covered by other existing risks and the third swapped for a new risk. These are:

'STR0019 – failure to deliver effective and cohesive health and social care to residents' with risk *'STR0009 - Fragility / Failure of Partners'* being considered sufficient alone.

'STR0031 - The capacity of the Council to deliver services in the light of further shifts in Government Policy,' this is considered to overlap with the consequences of *'STR0001 - Continuing significant reduction in or redirection of funding due to Central Government cuts, or loss of grant or other funding e.g. Health funding, Schools' Finance Regulations.'*

'STR0034 – Failure to Deliver the organisational development plan' has been replaced with a new wider ranging risk *'STR0041 - Failure to enact the changes we seek to move the organisation forward.'* With risk STR0034 moving onto the operational risk register managed at the Resources Directorate level.

7. Many risks have been updated as to their Description, Mitigating Actions Already Underway and Further Action Planned fields. The changes are shown in a track changes format on the Risk Register at Appendix B, with the above deleted risks marked grey.
8. In an effort to improve transparency for the risks with multiple risk owners, some initial efforts have been made to more clearly show responsibility for both existing mitigation and planned mitigation. It is hoped to continue to progress this for subsequent updates.
9. Two risks (STR0036 & STR0001) have revised their residual risk scores down, each moving from 16 to 12 based on the likelihood score being revised from a 4 to a 3 after further consideration of the mitigating actions already in place or underway.

Operational Risks

10. Operational risks have been omitted from this update pending a more detailed review of processes to ensure that this continues to be fit for purpose.

Emerging Risks

11. As previously mentioned a new replacement risk has been added to the register; *'STR0041 - Failure to enact the changes we seek to move the organisation forward.'* Additionally, the Information Governance risk (STR0013) has also been updated to reflect the General Data Protection Regulations (GDPR) which are applicable from May 2018.

Council Priorities

12. Good risk management enables delivery of the Council's aims and objectives. Good risk management ensures that we adopt a planned and systematic approach to the identification and control of the risks that threaten the delivery of objectives, protection of assets, or the financial wellbeing of the Council.

Corporate Implications

Legal Implications

13. None directly from this report.

Financial Implications

14. None directly from this report.

Equalities Implications

15. None directly from this report.

Conclusion and next Steps

16. Internal Audit and Risk will continue to coordinate and update the Strategic Risk register and an update will be presented to the next Audit Committee.

Appendices

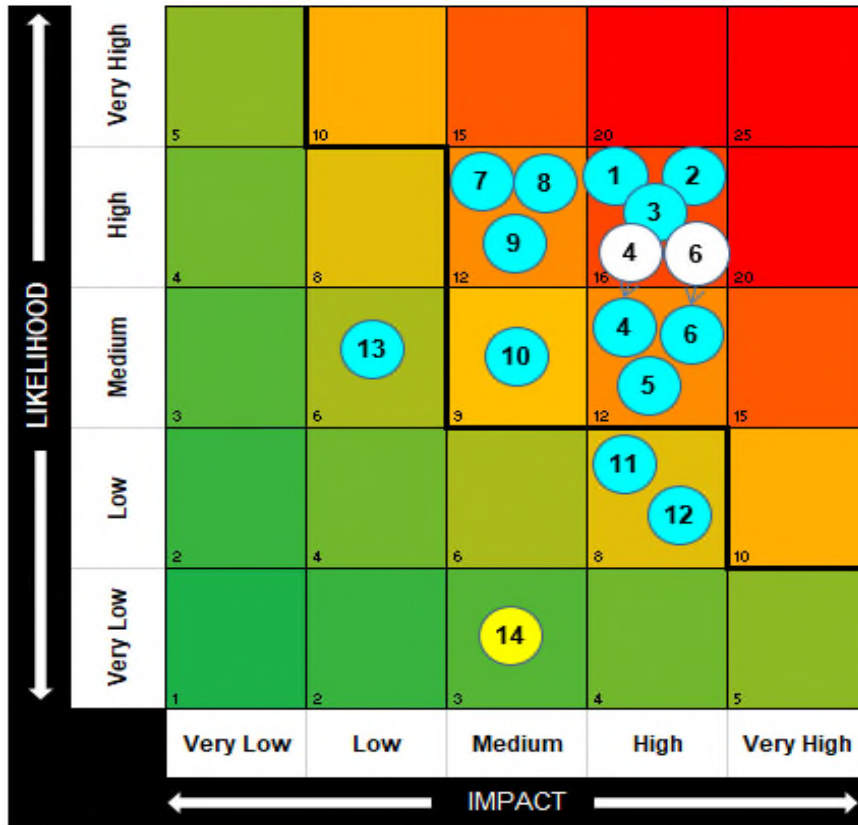
- Appendix A – September 2017 Strategic Risk summary dashboard.
Appendix B – September 2017 Strategic Risk Register

Background Papers

None.

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Strategic Risk Dashboard



- Key:
- New Risk
 - Current Position
 - Previous Position

Assessing Likelihood

Scale	Description	Likelihood of Occurrence
5	Almost Certain	Likely to occur each year / over 60% chance of occurrence
4	Likely	Likely to occur every 3 years / up to 60% chance of occurrence
3	Possible	Likely to occur every 5 years / up to 50% chance of occurrence
2	Unlikely	Likely to occur every 10 years / up to a 20% chance of occurrence
1	Rare	Likely to occur every 10+ years / up to a 10% chance of occurrence

Key			2016/17			2017/18		
#	Reference	Risk	May	Aug	Dec	Mar	June	Aug
1	STR0035	Failure to deliver major transformation programme within Children's Services.	16	16	16	16	16	16
2	STR0032	Unsustainable market for social care.	12	16	16	16	16	16
3	STR0027	Failure to adopt a Local Plan and Community Infrastructure Levy (CIL) .	16	16	16	16	16	16
4	STR0001	Continuing significant reduction in or redirection of funding due to Central Government cuts, or loss of grant or other funding e.g. Health funding, Schools' Finance Regulations.	16	16	16	16	16	12
5	STR0009	Fragility / Failure of partners compromising public services and increasing costs to the Council	16	16	16	16	12	12
6	STR0036	Failure to deliver social cohesion.	16	16	16	16	16	12
7	STR0037	Failure to support vulnerable people and families, which results in higher demand for more intensive services.	9	12	12	12	12	12
8	STR0039	Failure to manage demand for rented and specialist accommodation as a consequence of constrained housing supply.		12	12	12	12	12
9	STR0040	Political and economic uncertainty arising from UK leaving EU and other significant international events.			12	12	12	12
10	STR0038	Ineffective partnership response to Emergency Planning.	12	12	12	9	9	9
11	STR0008	Failure or disruption to key elements of core infrastructure (data centre, environment and networks) leading to no functionality for more than 24 hours.	8	8	8	8	8	8
12	STR0013	Information Management: a lack of consistent information management and data accuracy across the organisation and the risk of non compliance with the Data Protection Act / (GDPR from May 2018).	8	8	8	8	8	8
13	STR0033	The impact of cyber crime.	6	6	6	6	6	6
14	STR0041	Failure to enact the changes we seek to move the organisation forward.						3

STR0019 Failure to Deliver effective and cohesive Health and Social Care to local Residents' has been subsumed into 'STR0009 Failure / Fragility of Partners compromising public services and increasing costs to the Council.'

There are three joint scoring highest residual risks:
 'STR0035 - Failure to deliver major transformation programme within Children's Services',
 'STR0032 - Unsustainable market for social care',
 'STR0027 - Failure to adopt a Local Plan and Community Infrastructure Levy (CIL) .'

Two risks (STR0001 & STR0036) have had their residual scored revised down each from 16 to 12, based on their likelihood scores moving from 4 to 3 as a result of the mitigation already in place for those risks.

A new risk has been added:
 'STR0041 - Failure to enact the changes we seek to move the organisation forward.'

Assessing Impact

Impact Score	Impact Title	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, financial loss over £5m, key person resignation/removal, sustained adverse publicity in nation media, fatality or permanent disability
4	Severe	All operational areas of a location compromised, other locations may be affected, financial loss up to £5M, sustained adverse publicity in nation media, greater than 6 months absence for more than 5 people (single event)
3	Major	Disruption to a number of operational areas within a location and possible flow on to other locations, financial loss up to £1m, significant adverse publicity in nation media, greater than 20 days absence for more than 5 people (single event)
2	Reasonable	Some disruption manageable by altered operational routine, financial loss up to £250k, significant adverse publicity in local media, short term absence for up to 5 people (single event)
1	Low	Minimal interruption to service, financial loss up to £100k, Minor adverse publicity in local media, short term absence for up to 5 people.

Appendix A

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Central Bedfordshire Council - Strategic Risk Register

Risk Ref	Risk Owner	Risk Manager	Risk Review Date	Inherent			Type	Nature of Risk	Description	Consequences	Mitigating Actions Already Underway	Residual			Status Change Since Last Report	Target Residual Risk Exposure	Further Action Planned or Other Comments	
				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure				
STR0001	Charles Warboys	Charles Warboys	Aug 2017	5	5	25	Financial/Economic	Significant reduction in or redirection of funding/lack of certainty	Continuing financial pressures due to Central Government cuts, or loss of grant or other funding (e.g. Council Tax Support, Business Rates Retention, New Homes Bonus). £15.2m savings planned for 2017/18. With the switch of funding streams to other bodies, there is also a risk of failing to exert appropriate influence on decision making bodies who are receiving redirected funding e.g. SEMLEP. With the introduction of pooled funding for Better Care Plans there is a risk of failing to deliver the required objectives. There is a potential risk of clawback arising from the introduction of integrated budgets within NHS. Additional responsibilities may be transferred to local government without adequate additional resources. General uncertainty around future government policies e.g. • Impact of New Living Wage • Impact of Continuing Healthcare decisions on both Children and Adults • Issues relating to Housing Need, including Homelessness and Social Housing Rents • Certain Loss of RSG • Impact of change in Business Rate Retention • Better Care Fund • Risks/opportunities arising as a result of the recent "Brexit" referendum, including uncertainty over future European funding • NHS changes may result in significant cost shunting.	1. Financial loss 2. Pressures on CBC Budgets 3. Reputational damage 4. Non delivery/ reduction of services and/or reduction in reserves to fund services 5. Difficulties in planning ahead	- There is robust monthly reviews of budgets including the proposed savings - The EIG (Efficiencies Implementation Group) meets monthly to review progress of proposed savings - Four Year Settlement in place - The Certainty Deal (gives certainty re RSG settlement) - Increase in Council Tax - Social Care Levy introduced - Four Year settlement in place. - Ensure that compensatory savings are found where savings are not delivered through the above - Build up of earmarked and general reserves to act as a short term buffer (including New Homes Bonus) - Robust MTFP, forecasting, and increasing focus on long term horizon - Establish good partnership working with all relevant bodies - Ensure CBC has representation on appropriate boards e.g. SEMLEP, Police - Responding to consultations - Networking - Longer term planning	4	3	12		↓	12	Continue with current mitigations.
STR0008	Stephan Conaway	Stephan Conaway	Aug 2017	5	4	20	ICT Systems	ICT Failure	Failure or disruption to key parts of the Council's ICT systems as a result of but not limited to: 1. Complexity of ICT 2. Dependence on third parties 3. In-house capacity and capability	1. Loss of business critical systems 2. Poor performance 3. Reduced customer service 4. Loss of data 5. Reduced staff motivation 6. Reputational damage 7. Inefficiency	A full report has been commissioned by an external provider to review current CBC infrastructure. Recommendations have been received; these are being considered for deployment. Consideration is being given to disaster recovery and ensuring that systems/procedures are robust and ICT failures are minimised.	4	2	8		↔	8	Architectural review of core infrastructure Development of roadmaps for core ICT systems Explore further opportunities to source expertise from third parties Participate in corporate approach to business continuity planning to minimise impact of IT failure or disruption Installation of additional lines to provide resilience in the event of an outage and to provide greater load balancing across CBC infrastructure. Target for completion Feb 2017. Data Centres being configured to a more highly secure configuration.

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STR0009	Richard Carr	Richard Carr	Aug 2017	4	4	16	Partnerships	Fragility of partners/Failure of Partners	Central Bedfordshire's vision cannot be delivered in isolation. All partners, including Police, Probation, Health, the Voluntary Community Sector, and Town and Parish Councils are experiencing significant changes and pressures. These include budgetary pressures, transfer of responsibilities, geographical factors, confusing accountabilities, increasing complexities, fragility and volatility. There is an increased risk that services to our public will be compromised and that increased costs will fall on the Council.	<ol style="list-style-type: none"> Decisions being made by key statutory partners that could impact adversely on another partner/CBC. Unforeseen/unknown liabilities falling on Central Bedfordshire Council Outcomes not achieved and services delivered to the public are compromised. Greater costs potentially falling on Council, including those arising from: Later than desirable interventions Increased scrutiny e.g. from inspectors Reputational damage 	<ol style="list-style-type: none"> Investing senior officer time in understanding partner issues, and looking to support partners with these issues (e.g. supporting Police with senior recruitment, supporting CCG address budget issues) Encourage consistent application of business-like solutions to addressing issues (e.g. MASH) Trying to be more focussed and very clear on true priorities and challenging how priorities are delivered (e.g. Joint Health and Well Being Strategy). Using evidence base to identify areas of greatest need (e.g. Joint Strategic Needs Assessment). Deploy resources and utilise investment opportunities effectively to support partners (e.g. Ivel Medical Centre) to deliver whole community benefits. Develop a multi agency approach, working closer with partners, communities and other stakeholders in a locality model. 	4	3	12		8	<p>1. Use Rotherham learning points as a catalyst for review of existing arrangements. This may lead to a simplification of governance arrangements.</p> <p>2. Review of Safeguarding governance to be undertaken.</p> <p>3. Proposed development of protocol for governance arrangements for relationships between Children's Trust, Safeguarding Board, and Community Safety Partnership.</p> <p>4. Chief Executive actively encouraging Directors to scrutinise current arrangements with a view to "slim down" where possible.</p>
STR0013	Stephan Conaway	Sean Dykes	Aug 2017	5	3	15	Information Governance	Information Management	A lack of consistent information management and data accuracy across the organisation and the risk of non-compliance with the Data Protection Act / (GDPR from May 2018)	<ol style="list-style-type: none"> Financial implications Reputational damage Non-compliance Inefficiency 	<p>ICO Audit complete. Development plan in place.</p> <p>Conducted internal health check and identified action plan for recommended improvements including development of KPI. Review and redefine the terms of reference for the Information Assurance Group.</p> <p>Initiated update of retention schedules Council wide to meet legislative/operational retention requirements. Monitoring of staff participation is now included as a standard agenda item for Information Assurance Group.</p> <p>ICO Self assessment for GDPR readiness undertaken and working group established to drive forward.</p>	4	2	8		6	<p>Implementation of Corporate wide Data Protection training as well as improved corporate monitoring and actions to improve compliance rates.</p> <p>A review of information gathered through the PSN code of connection on the Council's holdings, which identifies information owners.</p> <p>Working group to work towards addressing gaps identified in GDPR Self Assessment before May 2018.</p>
STR0019	Richard Carr	Richard Carr	Aug 2017	5	4	20	Service Delivery and Customers	Failure to deliver effective and cohesive Health and Social Care to local residents	The risk to the Health and Social Care System and local residents brought about by significant changes in the National Health System. CCG under national direction and one local hospital in a challenging financial position. External health market is poor. Uncertainty caused by IBCF and associated targets	<ol style="list-style-type: none"> Fragmentation in service delivery to both children and adults Reputational damage Lack of clarity over the roles and responsibilities of various partners/providers Lack of ability to influence respective decision making partners/bodies Poor inspection judgements Financial and service delivery pressures placed on CBC as a consequence of decisions made by other partners/bodies in response to need to reduce cost base 	<ol style="list-style-type: none"> Good partnership working, including existing and specialist governance arrangements: Better Care Fund governance arrangements & plan, including IBCF funding Community Health Service re-provision work underway Kings Fund supporting the CCG, CBC and BBC to develop the vision for integration Strategic Transformation Programme underway Transforming Care Plan Tight monitoring of the Looked After Children Plan CCG Budget Recovery Plan Established Central Bedfordshire Transformation Board Moving to joint management arrangements with EPUT Procurement of Mental Health Services completed 	4	4	16		12	<p>Risk is continuing to evolve from the PCT to CCG. BCF plan shifts services from acute to community. Issues of concerns include:</p> <p>Bedford Hospital Trust Strategic Review</p> <p>Biggleswade Hospital</p> <p>Procurement of Mental Health Services</p> <ol style="list-style-type: none"> Delivery of the recommendations from scrutiny enquiry into integration and associated work. Contribution to the Bedfordshire, Luton and Milton Keynes (BLMK) sustainability and transformation plan (STP). Further work on the implementation of Care and Health hubs.
STR0027	Jason Longhurst	Jason Longhurst	Aug 2017	4	5	20	Community	Failure to deliver Sustainable Development	Failure to adopt a Local Plan and Community Infrastructure Levy (CIL) .	<ol style="list-style-type: none"> Financial loss Infrastructure, housing and employment requirements not delivered Reputational loss 	<p>Project Board established PID approved for delivery.</p> <p>Awaiting advice sought from DCLG on risks of proceeding in absence of an up to date Local Plan</p> <p>Draft (Regulation 18) Plan to be published May/June 17 July 17</p>	4	4	16		8	<p>1. Draft (Regulation 18) Plan to be published January/February 2016/7 - moved to underway</p> <ol style="list-style-type: none"> Draft submission Plan published for consultation Dec 17 Feb 18 Adopt Local Plan April 2018 Process progressing to plan

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STR0031	Charles Warboys	Charles Warboys	Aug 2017	5	5	25	Service Delivery and Customers	The capacity of the Council to deliver services in the light of the scale of the efficiencies we need to make, taking account of the increasing importance of our income from NNDR, the impact of changes to HRA financing and the anticipated transfer of new responsibilities to councils without the concomitant funding, such as the administration of attendance allowances. Also reflects the impacts of shifts in Government policy, for example, the impact of the move towards Academies.	<ol style="list-style-type: none"> Pressures on CBC budgets Reduction in service delivery Reputation damage Difficulties in planning ahead. 	<ol style="list-style-type: none"> Four year settlement in place The "Certainty Deal" Responding to consultations Networking Longer term planning. 	3	3	9	↔	9	Certainty Deal signed in October 2016.	
STR0032	Julie Ogley	Julie Ogley	Aug 2017	4	5	20	Finance/economic	Unsustainable market for social care.	Not being able to access a sustainable market for social care at a reasonable price due to the implementation of NLW, implications of Brexit and other legislation, and its impact on the wider economy.	<ol style="list-style-type: none"> Pressures on CBC budgets Instability of the care market Reduced capacity Compromised safety and quality Increased hospital admissions Delays in transfer of care Reputational damage Reduction in choice impact on recruitment and retention Lack of case law 	<ol style="list-style-type: none"> Market engagement Broader support for care market Review of effectiveness of contractual arrangements Financial provision built into medium term plan MANOP Investment Prospectus produced. Report agreed at executive to identify sites for 2 care homes and 1 extra care. Planning permission for Houghton Central granted November 2016 LD Commissioner in post who is now developing the Vulnerable Persons' Position Statement. Day Care Review now underway. Domiciliary care retender Residential and Nursing home retender 4% uplift on fees applied for 2017/18 3% Social Care Precept 	4	4	16	↔	12	<ol style="list-style-type: none"> Raise care as a priority within allocation policy for social renting. Market position statement planned for vulnerable adults Collaborative regional approach, to include operating model Consideration of wider support to care market Establish the approach to fee setting Work is underway to develop Market Position Statements for Vulnerable People (Learning Disability, Mental health and Physical Disability). Further investment in the Bedfordshire Care Association, as part of iBCF
STR0033	Stephan Conaway	Stephan Conaway	Aug 2017	4	3	12	ICT/Data Management	The impact of cyber crime.	The impact of cyber crime.	<ol style="list-style-type: none"> Poor performance Reduced customer service Loss of data Inefficiency Financial loss Reputational damage Non compliance with data protection legislation 	<ol style="list-style-type: none"> Member of Cyber Security Sharing Protocol (gov.). Provides advice on reducing risk of cyber crime. Information Security Policy in place. Information Security statement in place. Data protection policy in place. Patching regime in place. Virus controls on devices. I pads in use with application security provided by Apple. Network user access scanning. Intrusion detection system updated. Protocol for regular monitoring in place. Internal IT assurance processes developed. Policy for privileged user access developed. 	2	3	6	↔	6	<ol style="list-style-type: none"> Password controls policy being updated - one password to cover all access. Information security training to be expanded to include cyber crime risks. Shadow image of files in Cloud to sit outside network.
STR0034	Richard Carr	Catherine Jones	Aug 2017	4	4	16	Service Delivery and Customers	Failure to deliver service improvement.	The failure to deliver the organisational development plan.	<ol style="list-style-type: none"> Non achievement of CBC objectives Reduced staff morale Lack of service improvement. Negative impact on achieving the MTFP 	<ol style="list-style-type: none"> CMT to further review these work streams as part of a review to crystallise our objectives following the MTFP reviews. CMT has agreed a refreshed programme with six work streams: <ul style="list-style-type: none"> Digitisation Pride and recognition Working smarter Customer strategy Knowledge and aptitudes Health and well being These are based on intensive engagement across the organisation via the 3D programme. Programme facilitated by CMT, formally launched at April Leadership event, with engagement from managers across the organisation. CMT to further clarify the transformation agenda 	4	2	8	↔	6	Delivery will be monitored monthly by CMT in the Making it Happen dashboard and quarterly by PFMT in the Status Report.

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STR0035	Sue Harrison	Sue Harrison	Aug 2017	4	4	16	Service Delivery and Customers	Failure to safeguard children effectively. Failure to deliver budget efficiencies.	The failure to deliver major transformation programmes. (Children's Services).	<ol style="list-style-type: none"> 1. Failure to safeguard children effectively. 2. Non delivery of transformation programmes 3. Non realisation of budget savings 4. Service failure 5. Non achievement of CBC objectives 6. Reduced staff morale/retention 7. Lack of service improvement. 8. Restructure of management team leading to instability 	<ol style="list-style-type: none"> 1. Work of Social Work and Early Help Academy - good CPD for social work staff 2. Declared published timetable for the production and monitoring of the plan 3. Additional budget monitoring is planned. 4. Business Continuity Plans in place. 5. Six weekly Transformation Board Meetings now in place. 6. Vigorous self evaluation programme within Children's Services 7. Risk registers in place capturing financial/service risks 8. Project plan in place with milestones and KPIs 9. Regular monitoring by CMT 10. Regular reporting to Overview and Scrutiny 11. Demand Analysis undertaken identifying potential opportunities for reducing children going into care 12. Multi-agency leadership board in place 13. Assistant Director for Transformation and Education has been appointed (Commences 170717) 14. All Social Care and Early help teams are intergrated in localities. 15. New Community Healthcare providers are aware of new way of working. 	4	4	16	↔	9	Progress the implementation of the 'Locality' model.
STR0036	Richard Carr / Marcel Coiffat / Jason Longhurst	Richard Carr / Marcel Coiffat / Jeanette Keyte / Andrew Davie	Aug 2017	4	4	16	Service Delivery and Customers	Social division	Risk of failure to deliver community cohesion in the context of the demographic growth in Central Bedfordshire. Some settlements will experience considerable expansion and we need to manage potential resentment, secure equal access to facilities and enhance a sense of community. One aspect of this relates specifically to provision for gypsy and traveller communities	<ol style="list-style-type: none"> 1. Inequity 2. Enhanced deprivation 3. Social isolation 4. Pockets of extreme vulnerability (including. Modern day slavery) 5. Anti- social behaviour 6. Vigilante activity 	<p>G&T liaison officer appointed</p> <p>Co-ordinated response to G&T issues</p> <p>Options for more effective management direct action being</p> <p>Local Plan is out for consultation.</p> <p>Way forward on consultation for the Billingdon site now agreed by Executive.</p> <p>Review of the terms of reference for the 4 Joint Committees underway.</p> <p>Successful programme of T&PC Conferences throughout the year.</p> <p>Member attendance at T&PC meetings. Monthly briefing provided to Members to assist communication.</p> <p>Community engagement events held on specific issues, e.g. 15 Community Planning events.</p> <p>Training for T&PCs on key issues, e.g. Planning and Emergency Response.</p> <p>T&PC Forum established as sounding board to highlight and address key issues.</p> <p>Key point of contact at Member and Senior Officer level to resolve issues and coordinate input.</p> <p>S106 funded Community Buildings / Facilities transferred to T&PCs, (or in discussion) e.g. Stotfold, Silsoe, Biggleswade, Cranfield, Marston, Potton and Houghton Regis.</p> <p>Audit of community facilities underway to inform future provision and 106 / CIL investment and future policy / technical guidance.</p> <p>Cabinet have agreed a proposed way forward for dealing with issues at a particular G&T site in CBs. The working group will develop an initial outline of work needed.</p> <p>Police Unauthorised Encampment Procedure now in place and being worked to. Some gaps identified nd discussions will raise these with police colleagues.</p> <p>Rural Policing Team now in place and CB Officers will engage particularly around G&T issues.</p>	4	3	12	↓	9	<ol style="list-style-type: none"> 1. Needs co-ordinated effort within CBC and development of further understanding of the issues likely to be experienced by some communities 2. Encourage consideration of the impact of demographic growth at earliest opportunity when considering plans including with partners 3. Local Plan needs further development to reflect Stronger Communities, and strategic responses to G&T and Transit sites (including a specific response to Billington) 4. Need to strengthen liaison with Town Councils for growing towns 5. Investment in social infrastructure 6. Explore Legacy Project with Kingsland 7. Help partners understand the impact of demographic growth (e.g. Health and Police) 8. Cabinet have agreed a proposed way forward for dealing with issues at a particular G&T site in CBs. The working group will develop an initial outline of work needed. 9. CBC Prevent Group is in place and will be developing an action plan set against recommendations from the Counter Terrorism Local Profile. 10. Police Unauthorised Encampment Procedure now in place and being worked to. Some gaps identified nd discussions will raise these with police colleagues. 11. Rural Policing Team now in place and CB Officers will engage particularly around G&T issues.

Central Bedfordshire Council - Strategic Risk Register

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STR0037	Julie Ogley/ Celia Shohet /Sue Harrison	Julie Ogley/ Celia Shohet /Sue Harrison	Aug 2017	4	4	16	Service Delivery and Customers	Failure to support vulnerable people, which results in higher demand for more intensive services.	Failure to support vulnerable people and families, including facets of access to accommodation, welfare reform and low levels of income.	<ol style="list-style-type: none"> Increased homelessness Lack of access to suitable accommodation Increased child and family poverty "Two Tier" community Increased dependency upon CBC Increase in number of children taken into care. Negative health, well being and emotional impacts. Increase in risky behaviours (lifestyles) Capping of Local Housing Allowance. More Children in Care More Children in Criminal Justice System 	<p>SCHH:</p> <ol style="list-style-type: none"> Investment by CBC to purchase additional housing for temporary accommodation. Discretionary Housing Payments. Opening of Priory View and Greenfields will increase capacity for family housing. Additional investment in "Let's Rent" scheme. SCHH Homelessness Strategy Action Plan - progress towards DCLG "gold standard". Invested in Credit Unions / new publicity has increased activity. Implement the Sheltered Housing Review, including de-designation of some schemes to meet the needs of other client groups. Rightsizing approach established with clear targets within the People scorecard, so as to make best use of stock. Tenancy Sustainment approach, supporting tenants earlier to increase rent collection and avoid crisis/support. Work is underway to develop right sizing alternative accommodation. <p>CS:</p> <ol style="list-style-type: none"> Transformation plans include managing demand and keeping children safe at home. Childrens Services early help offer is strong and supports Children remaining with family wherever it is safe to do so. Childrens Services 'One Family, One Plan' approach supports vulnerable people to better parent their children. Childrens services share Youth Offending Team with Beds BC & there are strategic plans in place to work with Children at risk of entering the Criminal Justice System - these are monitored by the Youth Offending Board and the Ministry of Justice. 	3	4	12	↔	6	<p>CS:</p> <ol style="list-style-type: none"> Further joint working between Children and Adult Services. SEND transition and supporting children leaving care with appropriate accommodation. Plans to review and develop an ambitious vision for Children's Homes of the Future. Four Year transformation plan to be delivered to timescales <p>SCHH:</p> <ol style="list-style-type: none"> Redesign of ASC Customer Pathway to develop a better understanding of the customers needs and expectations to mitigate the need for paid services and support. Reshape the prevention offer around community services, including extending this to primary care Implementation of multi disciplinary approach, based on localities Development of a Lettings Agency Housing support into Hospitals and health settings
STR0038	Richard Carr Marcel Coiffait/ Muriel Scott	Sue Childerhouse / Mark Conway Muriel Scott	Aug 2017	4	4	16	Partnerships	Ineffective partnership response to emergency planning.	The fragility of the emergency planning and business continuity functions across partners and the impact of this on our ability to deliver our objectives. A particular facet relates to: shortcomings identified in the Police's approach to vulnerability identified by HMIC;	<ol style="list-style-type: none"> Failure to respond appropriately to health emergencies. Reputational damage. Failure to protect vulnerable people Negative health impacts.. Death Legal action/financial loss. Failure to deliver services. 	<ol style="list-style-type: none"> Sharing capacity, expertise, resource and skills across partnerships to avoid duplication and strengthen response (CS) Bedfordshire Community Risk Register in place. Representation on Bedfordshire Local Resilience Forum (BLRF) Representation on Business Continuity Awareness Group (part of BLRF) Guidance on schools resilience on schools portal Plans and partnerships tested during recent gas outage in Ampthill, Clophill and Maulden Local Health Resilience Partnership (co chaired by Director of Public Health) has overview and scrutiny of resilience arrangements for public health Representation on Local Health Resilience Group Multi agency flu plan Infectious disease plan (CBC) Application of 2004 Core Standards - Emergency Preparedness Response applied to all health organisations Moderate individual organisations annual self assessments & recommend actions Ensure mass casualties & pandemic flu plan are updated & exercised regularly. 	3	3	9	↔	9	<ol style="list-style-type: none"> BLRF project on better joint working WIP Finalise Business continuity plans Corporate Influenza pandemic flu plan under review Consideration of Joint Multi Agency Team On the 12th July 2016 BLRF Executive agreed that they would proceed with a Joint multi agency emergency planning unit. BLRF Executive to make decision W/C 18 September 2017
STR0039	Julie Ogley	Julie Ogley	Aug 2017	3	5	15	Financial/Economic	Inability to deliver accommodation for vulnerable and homeless people	Uncertain national policy; singular focus on Starter Homes; also unpredictable change: rent reduction; LHA caps, result in the supply of rented and specialist accommodation being reduced and unaffordable. The new legislation, (Homelessness Reduction Act 2017), is likely to add to the numbers of people it is required to accommodate which will need to be resourced.	<ol style="list-style-type: none"> Interventions across the Council are challenging: Children's; Adults Pressure on CBC Budgets; Unmet housing need; risk of harm; Increased homelessness; Reputational damage; Reduction in choice 	<ol style="list-style-type: none"> Local Plan policies Council's approach to use of land assets Homelessness Strategy Action Plan Temporary Accommodation Action Plan Good quality advice & information Supported Housing re-configuration Housing Investment Plan & Business Planning MANOP programme Supply of rented & specialist accommodation CBC Policy position on Starter Homes Negotiation of section 106 agreements Welfare Reform Group Action Plan Alignment between partner ambitions and CBC objectives. 	3	4	12	↔	9	

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STR0040	Richard Carr	Richard Carr	Aug 2017	4	4	16	Financial/Economic	Financial and economic uncertainty	The political and economic uncertainty around potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union and other significant international events, which may impact on Council objectives.	Impact on; local economy capital receipts and land and property negotiations employment trends and productivity waste disposal changes in ministerial appointments and the associated implications for aspects of government policy, such as education, public health, and indeed the approach to the management of the public finances the potential impact of changes being considered by the Bank of England, such as adjustments to interest rates workforce implications, especially in areas like health and social care where significant numbers of staff were non UK nationals the impact of the unwinding of European legislation affecting large areas of regulation, including areas such as the working time directive and health and safety regulations, employment rights and procurement, and community cohesion and the need to ensure inappropriate behaviour and, indeed, racism was tackled appropriately and quickly.	<ul style="list-style-type: none"> Continued monitoring of the post referendum environment by CMT Keeping abreast of official publications from local, central and European government Targeted lobbying by Members on specific issues Influencing Government through responding to consultations Engagement with the Local Government Association (LGA), Department of Communities and Local Government (DCLG), Department of Innovation and Skills, and other relevant bodies to ensure that current funding is protected Monitor emerging policy changes, and Monitor European Union funded schemes. Reflect budget implications in MTFP 	3	4	12	↔	12	
STR0041	Richard Carr	Georgina Stanton / Vikki Chapman	Aug 2017	4	3	12	Service Delivery and Customers	Failure to enact the changes we seek to move the organisation forward.	An inability to unify and manage a diverse range of change projects as a prioritised and resourced transformation programme.	<ol style="list-style-type: none"> Failure to understand the relative importance and dependence of change projects. Inability to deploy the resources required to the things that are most critical for us to deliver. Failure to achieve stated priorities for customers, staff, partners and suppliers. 	<p>CMT have agreed outcomes, measures and provisional targets for a range of cross cutting change projects.</p> <p>A set of design principles have also been agreed which include commitments to take a whole system approach to change and to aim for standardisation in our approach.</p>	3	1	3	New	3	In taking the work forward a cross council group is exploring what other significant change programmes (including work on Quadrants) are underway in order that their relationship to the CMT transformation goals/workstreams can be understood. The group will also look at dependencies and recommend options for prioritisation, delivery models and engagement.

Key:

Text Added since last update

Text to be removed

Risk Removed from Strategic Risk Register

Central Bedfordshire Council

AUDIT COMMITTEE

27 September 2017

Internal Audit Progress Report

Report of Charles Warboys, Chief Finance Officer

Contact Officer: Clint Horne, Head of Internal Audit and Risk

Purpose of this report:

This report provides a progress update on the status of Internal Audit work for 2017/18.

RECOMMENDATIONS

The Committee is asked to:

1. Consider and comment on the contents of the report.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny, as it is the responsibility of the Audit Committee.

Background

2. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal audit reviews, appraises and reports on the efficiency, effectiveness and economy of financial and other management controls.
3. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
4. The Audit Committee approved the 2017-19 Internal Audit Plan in April 2017. This report provides an update on progress made against the plan up to the end of August 2017.

Progress on the 2017/18 Audit Plan

Fundamental System Audits

5. In the last progress update there were three Fundamental Financial system audits that were in progress. All three are now finalised; Accounts Payable and Asset Management were both Adequate opinions and Swift Financials continued as Limited.
6. Scoping has commenced on the majority of the 2017/18 Fundamental Financial system audit reviews. Consideration is being given to internal system changes when scoping these reviews to provide assurance that the controls surrounding the implementation of any revised processes are robust. Consideration will also be given to whether there have been any Government initiatives that would impact on controls and processes. No significant issues have been identified to date.
7. A light touch approach has been in place for these reviews for several years; more detailed substantive testing will now be undertaken on a prioritised risk basis. A follow up of previous recommendations made will also be carried out.
8. The findings of completed Phase 1 reviews will be reported to the January Audit Committee.

Other Audit Work

9. Internal Audit has continued to be engaged in several projects, in order to provide advice and guidance on the control environment during project implementation which has included the SuccessFactors Project and the Fiori Project (both part of the SAP Optimisation Programme) and shortly with the Accolaid replacement Project. Work has also been undertaken on grant certification work.
10. In addition to the fundamental financial system audit reviews the following audits have been completed since the last update:
 - VAT (Final report – Adequate)
 - Financial Assessment & Charging for Residential Care (Final report – Adequate)
 - Data Centre Contracts Management (Briefing Note)
 - Proactive anti fraud review of Employee Self Service (Expense claims and Timesheets) (Briefing Note)
 - Maulden Lower School (Final report – Limited)
 - Members, Declarations of Interest, Gifts & Hospitality (Draft report – Adequate)
 - Watling Lower School (Draft report – Limited)
 - Comensura (Draft report – Adequate)

11. A number of other reviews are currently progressing, and these are also shown within Appendix A. The outcomes will be reported to a future committee meeting.

Schools

12. The rolling programme of school audit visits has continued. To date this year 1 school report has been finalised and a further report has been issued as a draft. An investment of time has been made to update our audit approach to schools to allow us to concentrate on key risks using more desktop review approach and targeted site visit. The aim is to reduce the time taken per school review overall and specifically on site; this new approach will be piloted later this term.

Other Matters of Interest

13. The Committee has previously been advised of the arrangements for appointing external auditors through Public Sector Audit Appointments (PSAA) Ltd. Contracts have been awarded for the various lots available and arrangements are now being finalised for matching lot winners to Local Authorities. The Director of Resources has recently been asked whether the Authority would have any issues were Ernst & Young to be appointed to our contract and has replied in the negative
14. Internal Audit continues to have a vacancy (since April 2017) in the Audit Manager role. Internal attempts at recruitment have proved unsuccessful and further options are now being considered. A Senior Auditor has also now resigned due to personal circumstances and an internal candidate has been appointed in their place and is due to start in October.

Performance Management

15. The Internal Audit Charter requires Internal Audit to report its progress on some key performance indicators. The indicators include both CBC audit activities and school audit activity.

Activities for 1 April 2017 – 31st August 2017

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	28%	35%	35%	80%
KPI02	Percentage of the number of planned reviews completed.	11%	27%	21%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	83%	75%	63%	75%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	100%	80%	94%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	100%	80%	100%	80%
KPI06	Overall customer satisfaction.	100%	80%	n/a	80%

16. Analysis of indicators:

As previously reported to the Audit Committee Internal Audit has had several resourcing / staffing issues over the last year and this is reflected in the performance reported for this quarter.

A review is currently underway to reprioritise outstanding work and explore the use of additional temporary resource to support delivery of high priority areas of the audit plan. It is hoped that the Audit Manager vacancy will also be filled before the year end.

KPI01 - As at the end of August, Internal Audit has delivered a total of 349 productive audit days against a total of 1260 planned days for the year.

KPI02 - This KPI measures final reports issued to date. 11% of the planned reviews have been completed to final report stage. In addition, a number of reviews have been completed to draft report stage and nearly all of the Fundamental Financial audits are now in progress.

KPI03 - 83% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. Whilst this is positive it is more reflective of the low volumes at this stage of the year.

KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During the period up to the end of August 100% of draft reports were responded to within the target set.

KPI05 - This indicator measures the time taken by Internal Audit to issue the final report upon receipt of an agreed response from the auditee, and continues to be positive.

KPI06 – 7 responses have been received for customer satisfaction surveys so far this year and all have been either satisfied or very satisfied.

Council Priorities

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

Corporate Implications

Legal Implications

18. None directly from this report.

Financial Implications

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

Equalities Implications

20. None directly from this report.

Conclusion and next Steps

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

22. A further update on audit progress will be presented to the next Audit Committee.

Appendices

Appendix A – Progress on Audit Activity

Background Papers

None.

Priority	Audit Title	2017/18 Days	Link to strategic risk	Position as at end August	Opinion
	B/f work				
	Accounts Payable/Purchase Ledger (including feeder systems)			Final report issued	Adequate
	Asset Management (incl. Asset Register)/Capital Accounting			Final report issued	Adequate
	SWIFT Financials			Final report issued	Limited
	Contracts Management - Data Centre Visits			Briefing Note issued	n/a
	Proactive anti fraud - Employee Self Service (Expense claims and Timesheets)			Briefing Note issued	n/a
	Maulden Lower School			Final report issued	Limited
	Sandy Upper School Follow-up			Final report issued	Unsatisfactory Progress
	VAT			Final report issued	Adequate
	Financial Assessment & Charging for Residential Care			Final report issued	Adequate
	Members, Declarations of Interest, Gifts & Hospitality			Draft report issued	Adequate*
	Comensura			Draft report issued	Adequate*
	IT inventories			Fieldwork completed	-
	Leisure Services Outcomes - Post implementation review of Flitwick Leisure Centre			Fieldwork completed	-
	Mosaic			Fieldwork in progress	-
	IT contracts managed outside IT			Fieldwork in progress	-
	IT Customer Service - problem resolution (Helpdesk)			Fieldwork in progress	-
	IT Network Management and Security			Scoping in progress	-
	Section 106 Agreements			Deferred pending outcome of external review.	-
	Supporting Delivery of New Housing			Cancelled - Service Request	-
	Assets Disposal Programme			Cancelled - Service Request	-
	Section 38 income			Cancelled - Service Request	-
	Highways - assurance on client assurance arrangements			Defered to 17/18	-
	Budgetary Control			Defered to 17/18	-
	Community Infrastructure Levy (CIL)			Defered to 18/19	-
	Total - Carry Over Work	120			
	Fundamental Systems				
H	Accounts Payable/Purchase Ledger (including feeder systems)	35	STR0001	Fieldwork in progress	
H	Accounts Receivable/Sales Ledger	30	STR0001	Fieldwork in progress	
H	Council Tax (including Council Tax Support Scheme)	35	STR0001	Fieldwork in progress	
H	Housing Benefits	40	STR0001	Fieldwork in progress	
H	Main Accounting Systems (MAS)	30	STR0001	Fieldwork in progress	
H	National Non Domestic Rates NNDR	35	STR0001	Fieldwork in progress	
H	Payroll	35	STR0001	Fieldwork in progress	
H	SWIFT Financials	15	STR0001		
H	Treasury Management	20	STR0001	Fieldwork in progress	
H	Housing Rents including tenant arrears	25	STR0001	Fieldwork in progress	
H	Cash And Banking (Non Invoiced Income)	20	STR0001	Fieldwork in progress	
	Total - Fundamental Systems	320			
	Assurance Audits - Chief Executive				
M	Data Quality	15	STR0013		
M	Information Governance	15	STR0013	Draft report issued	Adequate*
	IT Reviews:				
M	Cloud Hosting Data Storage	15	STR0008	Scoping in progress	
M	Project Management - IT Governance	15	Governance	Scoping in progress	
M	Desk Top Environment - End User Compliance	15	STR0008	Scoping in progress	
H	IT Disaster Recovery	10	STR0008	Scoping in progress	
H	SAP Access and Security	10	STR0013	Scoping in progress	
M	Third Party Hosting	15	STR0013	Fieldwork completed	
	Total - Chief Executive	110			

Priority	Audit Title	2017/18 Days	Link to strategic risk	Position as at end August	Opinion
Assurance Audits - Resources					
M	VAT reviews	10	STR0001	To Cancel	
M	Budgetary Control	15	STR0001		
L	Highways Infrastructure - processes for accounting	15	STR0001	To Cancel	
L	Ethics - Declarations of Interests, Gifts and Hospitality - Officers	10	Governance		
M	Corporate Governance Reviews - LGSS Law	15	Governance	Fieldwork in progress	
L	Democratic Services Review	10	Governance	Scoping in progress	
Total - Resources		75			
Assurance Audits - Children's Services					
M	Schools General - School Improvement	80	Governance	Rolling programme, 1 School completed see below	
	Watling Lower School		Governance/Operational	Draft Report Issued	Limited*
M	Themed Reviews	15	STR0035		
Total - Children's Services		95			
Assurance Audits - Social Care, Health and Housing					
L	Day Centres	10	Operational	To Cancel	
M	Better Care Fund Integration	15	STR0009		
M	New Generation Housing	15	STR0032	To Cancel, Service Request	
M	Direct Payments - Review of controls	15	Operational		
Total - Social Care, Health and Housing		55			
Assurance Audits - Community Services					
M	Highways - assurance on client assurance arrangements	10	Operational		
M	Compliance - Assets	10	Operational		
M	School Transport	15	Operational	Scoping in progress	
Total - Community Services		35			
Assurance Audits - Regeneration and Business Support					
M	European Social Fund	15	Operational	To Cancel	
M	Albion Archaeology	15	Operational		
Total - Regeneration and Business Support		30			
Assurance Audits - Contracts and Partnerships					
M	Contracts Management	20	STR0001/Operational		
M	Value for Money reviews	15	STR0001/Operational		
M	Partnership Governance	15	STR0009/Governance		
Total - Contracts and Partnerships		50			
Assurance Audits - Public Health					
M	Public Health compliance with best practice	15	STR0038		
M	Joint Procurement Arrangements	15	STR0038		
Total - Public Health		30			
Special Investigations					
M	National Fraud Initiative (NFI)	20	STR0001		
M	Special Investigations	40	STR0001		
	Pro active anti fraud reviews		-		
L	Allocation of Grants	10	Operational		
Total - Special investigations		70			
Ad Hoc Consultancy etc.					
H	Risk Management Activities	35	-	Ongoing throughout year	
M	Major projects - Consultancy	70	-	Ongoing throughout year	
M	Supporting Annual Governance Statement	5	-	Ongoing throughout year	
M	Audit of Individual Grants	20	-	Ongoing throughout year	
M	General Advice	20	-	Ongoing throughout year	
M	Head of Audit Chargeable Against Plan	60	-	Ongoing throughout year	
M	Assurance Mapping Review	5	-	Ongoing throughout year	
M	Benchmarking Exercise	5	-	Ongoing throughout year	
L	Contingency	50	-		
Total - Ad Hoc Consultancy etc.		270			
Carry over Work					
H	Completion of reviews in progress as at 31st March	120			
Total - Carry over Work		120			
TOTAL CHARGEABLE DAYS REQUIRED		1260			

Central Bedfordshire Council

AUDIT COMMITTEE

27 September 2017

Tracking of Internal Audit Recommendations

Report of Charles Warboys, Director of Resources

Contact Officer: Clint Horne, Head of Internal Audit and Risk

Purpose of this report:

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

RECOMMENDATIONS

The Committee is asked to:

1. Consider and comment on the updates, as presented.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny, as this is the responsibility of the Audit Committee.

Background

2. One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment.
3. To further strengthen the Audit Committee's role in monitoring the internal control environment within the Council, Internal Audit has developed a system for monitoring and reporting progress against high priority recommendations arising from internal audit inspections.
4. This paper presents the regular summary of high priority recommendations made to date, along with the progress made against implementation of those recommendations, as at the end of May 2017.

Tracking High Priority Recommendations

5. The Recommendation for the audit of 'Financial Assessment and Charging for Residential Care' has now been implemented, as have the 3 recommendations relating to the Housing Repairs audit. That leaves the 2 'Housing Tenancy Management' recommendations and the 'Assets Compliance' recommendation outstanding. Details are provided at Appendix A
6. Wherever possible evidence has been obtained to verify the implementation of recommendations. However, in some instances, verbal assurance has been obtained. Where this is the case, further evidence will be obtained to support the assurances given.
7. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the fundamental system audit reviews.

Future Monitoring

8. Officers responsible for the implementation of recommendations will be contacted regularly to provide updates on progress made. Evidence will be required to support progress made. Where recommendations are still being implemented these will continue to be monitored.

Council Priorities

9. An effective internal audit function will indirectly contribute to all of the Council's priorities.

Corporate Implications

Legal Implications

10. None directly from this report.

Financial Implications

11. Although there are no direct financial risks from the issues identified in the report, the outcome of implementing audit recommendations is for the Council to enhance internal control, and better manage its risks, thereby increasing protection from adverse events.

Equalities Implications

12. None directly from this report.

Conclusion and next Steps

13. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
14. This continuous tracking and reporting of progress on Internal Audit inspections to the Audit Committee ensures that the Committee has the means to monitor how effectively the high priority recommendations have been implemented.

Appendices

Appendix A – Details of outstanding High Priority recommendations that remain outstanding
Appendix B – Summary of High Priority Internal Audit recommendations as at 31/08/2017

Background Papers

None.

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

Social Care, Health and Housing

Housing Tenancy Management

<p>Recommendation R1: The Director of Social Care, Health and Housing and the Director of Regeneration and Business should clarify how housing responsibilities are allocated across their directorates. This should include the responsibility for and ownership of the Tenancy Strategy.</p>
<p>Rationale for Recommendation: The Housing Tenancy Strategy was drafted by the Assistant Director - Housing Services with an Executive Foreword jointly signed by the Executive member with responsibility for Social Care, Health and Housing and the Director of Social Care Health and Housing (SCHH). It was approved by the Executive in March 2013 however during the course of this review it became apparent that responsibility for and ownership of the strategy is unclear. Discussions between the Director of Social Care, Health and Housing and the Director of Regeneration and Business confirmed that housing responsibilities lie across 2 Directorates, SCHH and Regeneration and Business, and that both Directors will clarify how this will be addressed.</p>
<p>Target Dates: November 2015 March 2016 (revised) August 2016 October 2017</p>
<p>Current Position and Explanation for Slippage: The Regeneration and Business restructure is currently out to consultation. The recommendation will be addressed once this is finalised.</p>

<p>Recommendation R2: A Monitoring Group should be established, with clear terms of reference, to monitor and review the effectiveness of the Tenancy Strategy.</p>
<p>Rationale for Recommendation: Each Provider is responsible for its own individual tenancy policies, as well as arrangements for review and appeals. However, the Tenancy Strategy proposed that the Council establish a monitoring group consisting of representatives of registered providers and other key stakeholders. This group is meant to support the Council in its role of monitoring and reviewing the effectiveness of this Strategy but the group is yet to be set up.</p>
<p>Target Dates: November 2015 March 2016 (revised) August 2016 October 2017</p>
<p>Current Position and Explanation for Slippage: This will be addressed as part of the action plan being developed in response to the earlier recommendation.</p>

Community Services

Assets - Compliance with the statutory, regulatory and legal requirements for the Council's buildings

Recommendation R3:

A Corporate Landlord approach should be adopted by consolidating compliance assurance responsibilities. This will unify professional and technical resources and avoid duplication of resources.

Rationale for Recommendation:

At the time of the audit, there was no mechanism in place to monitor the compliance level of all corporate properties. The Facilities Management Team monitor 61 properties, however a further 80 properties are managed at directorate level. The Facilities Management Team is therefore unable to vouch for their compliance.

Target Dates:

June 2017

Current Position and Explanation for Slippage:

CMT have agreed that Corporate Landlord model will be adopted but implementation planning has not yet started. Permanent Head of Facilities Management starts September '17 and is tasked to create an implementation plan. A revised target date will be reported to the next committee and will be tracked thereafter.

Summary of Outstanding High Priority Internal Audit recommendations as at End August 2017

Name	Date of Report	Original Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Work in Progress - Target missed AMBER	No work started - target missed RED	
SOCIAL CARE, HEALTH & HOUSING								
Housing Tenancy Management	04/09/2015	30/11/2015	2			2		Recs.1-2
Financial Assessment and Charging for Residential Care	23/05/2017	30/06/2017	1	1				
COMMUNITY SERVICES								
Regular Reconciliation between QL & SAP	Pre 2012	30/09/2014	3	3				
Assets Compliance	08/12/2016	30/06/2017	1			1		Rec 3
Total			7	4	0	3	0	

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Central Bedfordshire Council

AUDIT COMMITTEE

27 September 2017

Work Programme

Advising Officers:

Leslie Manning, Committee Services Officer
(leslie.manning@centralbedfordshire.gov.uk)

Purpose of this report

The purpose of this report is to assist the Audit Committee in discharging its responsibilities by providing a proposed work programme for consideration.

RECOMMENDATION

That the Committee considers the proposed work programme attached at Appendix A.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. To assist the Audit Committee a work programme is attached at Appendix A to this report. The work programme contains the known agenda items that the Committee will need to consider.
3. Additional items will be identified as the municipal year progresses. The work programme is therefore subject to change.

Council Priorities

4. The activities of the Audit Committee are crucial to the governance arrangements of the organisation.

Corporate Implications

Legal Implications

5. There are no legal implications.

Financial Implications

6. There are no financial implications.

Equalities Implications

7. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
8. Report authors will be encouraged to work with the Corporate Policy Advisor (Equality & Diversity) in order to ensure that relevant equality implications are identified.

Conclusion and next Steps

9. This report will assist the Audit Committee in discharging its responsibilities. Any amendments approved by the Committee will be incorporated in the work programme.

Appendices

Appendix A – Audit Committee Work Programme

Background Papers

None

Appendix A

Audit Committee Work Programme

2017/18 Municipal Year	
29 June 2017	<ul style="list-style-type: none"> • CBC Unaudited Statement of Accounts 2016/17 (presentation) (CW/RG) • Annual Audit and Certification Fees 2017/18 (NH) • Annual Governance Statement 2016/17 (QB/MD) • Local Government Pension Scheme Update (RG) • Annual Counter Fraud Update (GM) • 2016/17 Internal Audit Annual Audit Opinion (CH) • Tracking of Internal Audit Recommendations (CH) • Risk Update Report (CH) • Work Programme (LM)
27 September 2017	<ul style="list-style-type: none"> • External Audit Results Report 2016/17 (NH) • Statement of Accounts 2016/17 (DG) • Update on the General Data Protection Regulation (SD) • Annual Governance Statement 2016/17 (QB/MD) • Risk Update Report (CH) • Internal Audit Progress Report (CH) • Tracking of Internal Audit Recommendations (CH) • Work Programme (LM)
8 January 2018	<ul style="list-style-type: none"> • Certification of Claims and Returns Annual Report 2016/17(NH) • Annual Audit Letter for the Year Ended 31 March 2017 (NH) • Audit Plan (NH) • Statement of Accounts 2017/18 (DG) • Local Government Pension Scheme Update (DG) • Risk Update Report (CH) • Internal Audit Progress Report (CH) • Tracking of Internal Audit Recommendations (CH) • Work Programme (LM)
9 April 2018	<ul style="list-style-type: none"> • Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments (GM) • Risk Update Report (CH) • Tracking of Internal Audit Recommendations (CH) • Internal Audit Progress Report (CH) • Work Programme (LM)

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