

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

Central Bedfordshire Council www.centralbedfordshire.gov.uk

Appendix A

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

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	

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

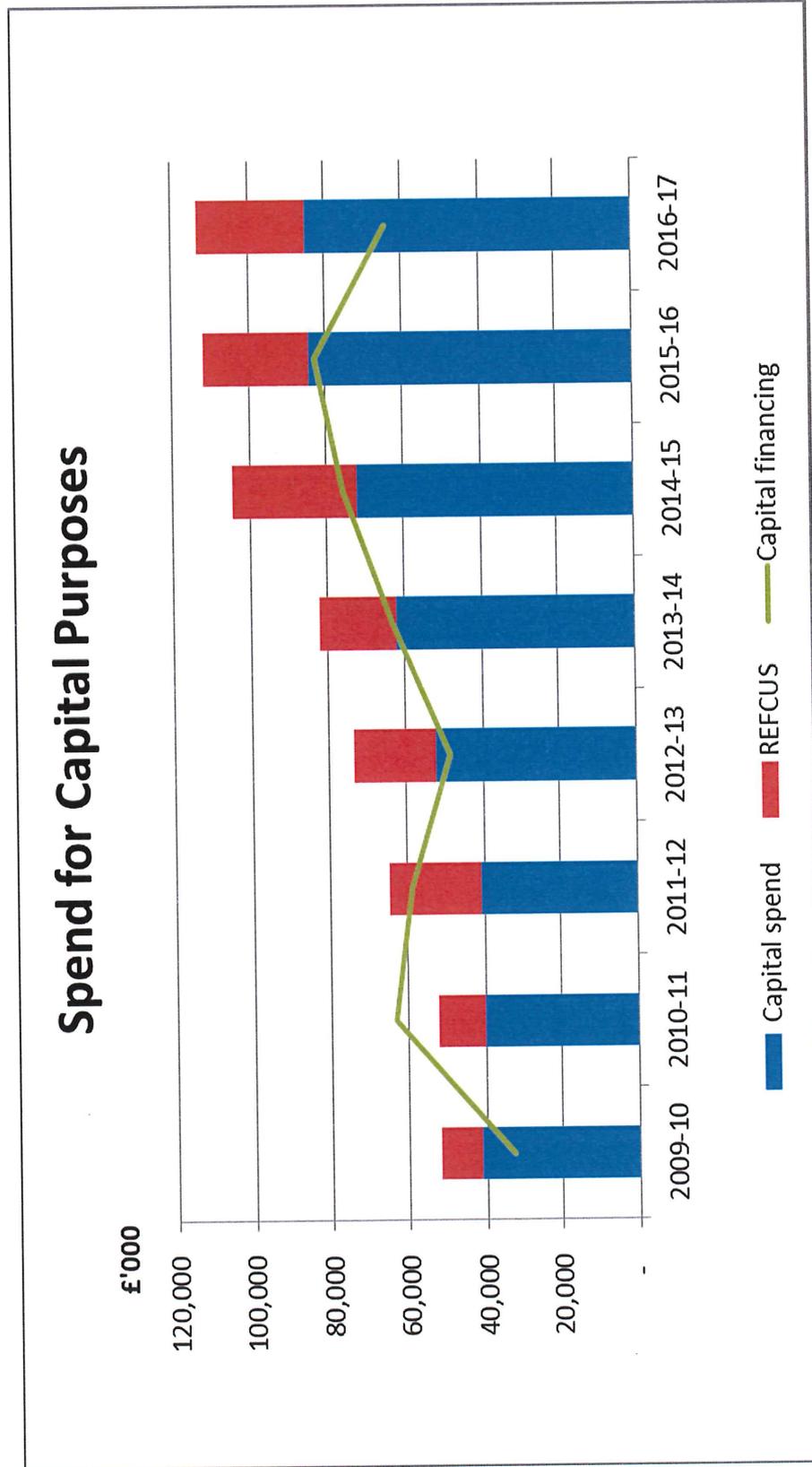
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Capital Expenditure and Borrowing Requirement

	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 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)
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.

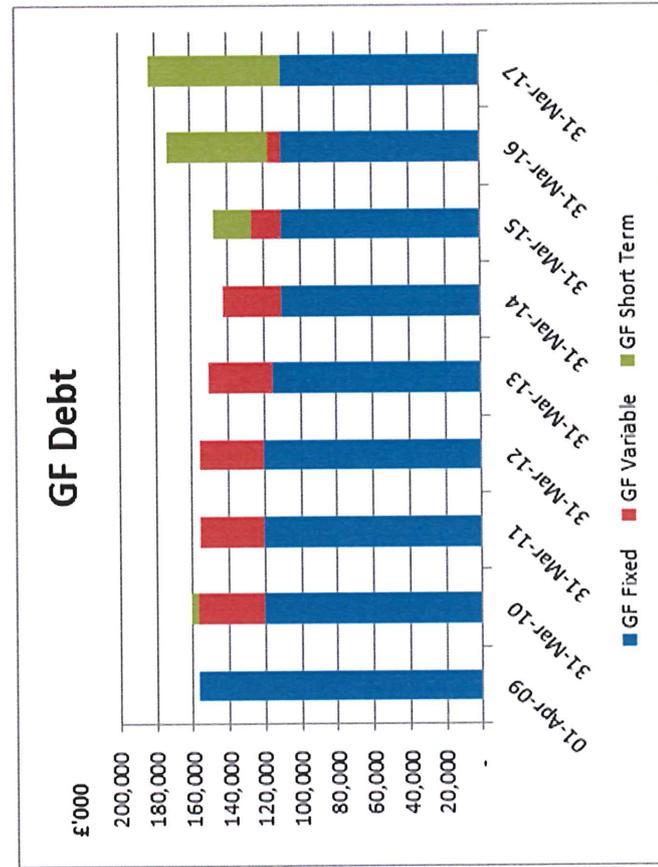
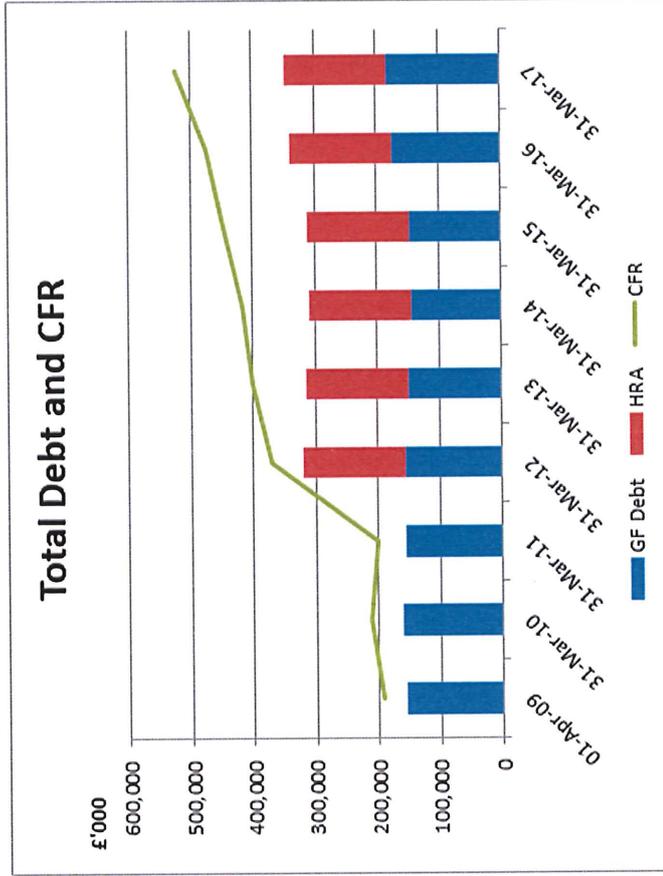


Total Borrowing as at 31st March 2017

	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



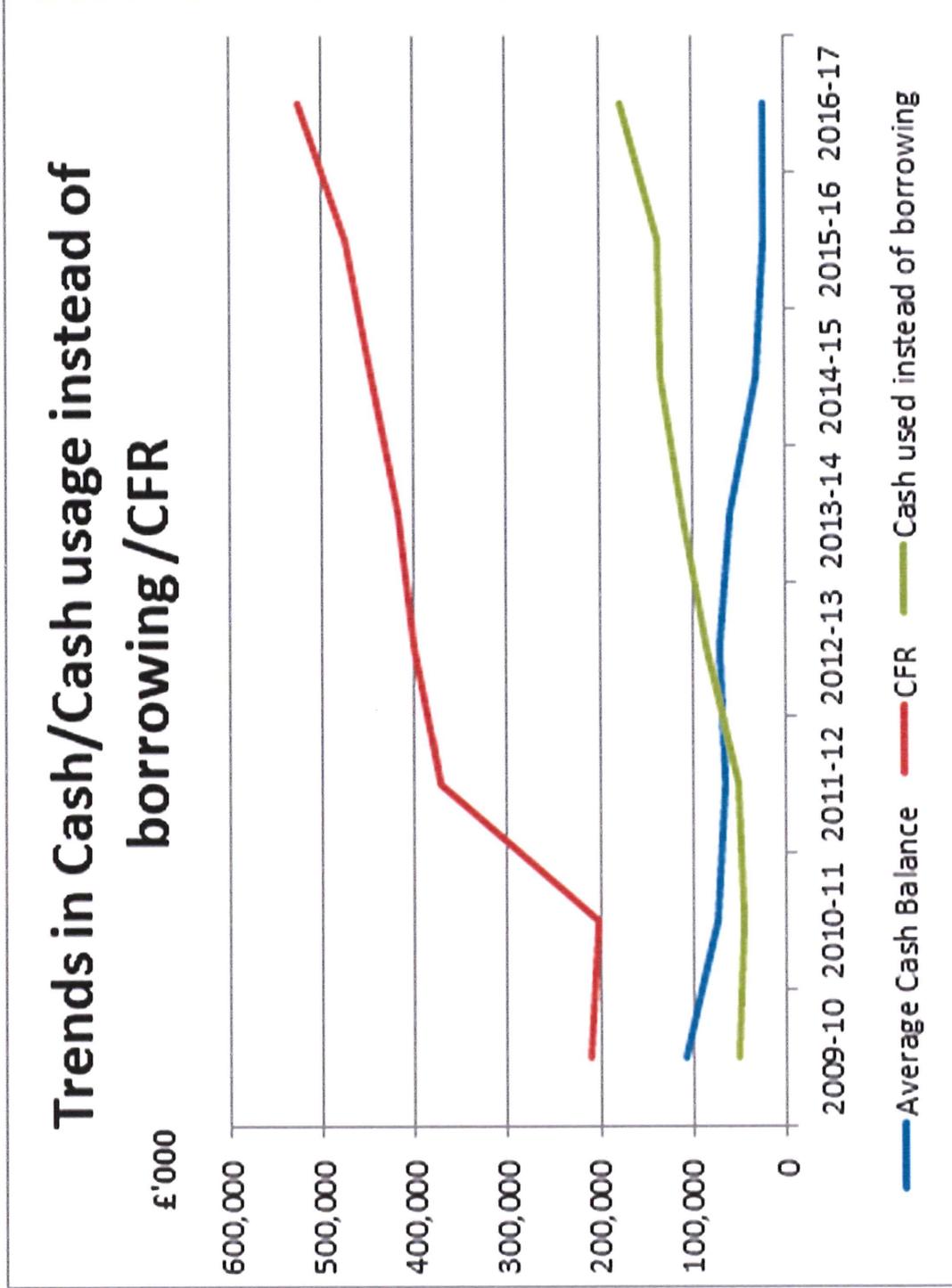
CBC Debt

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

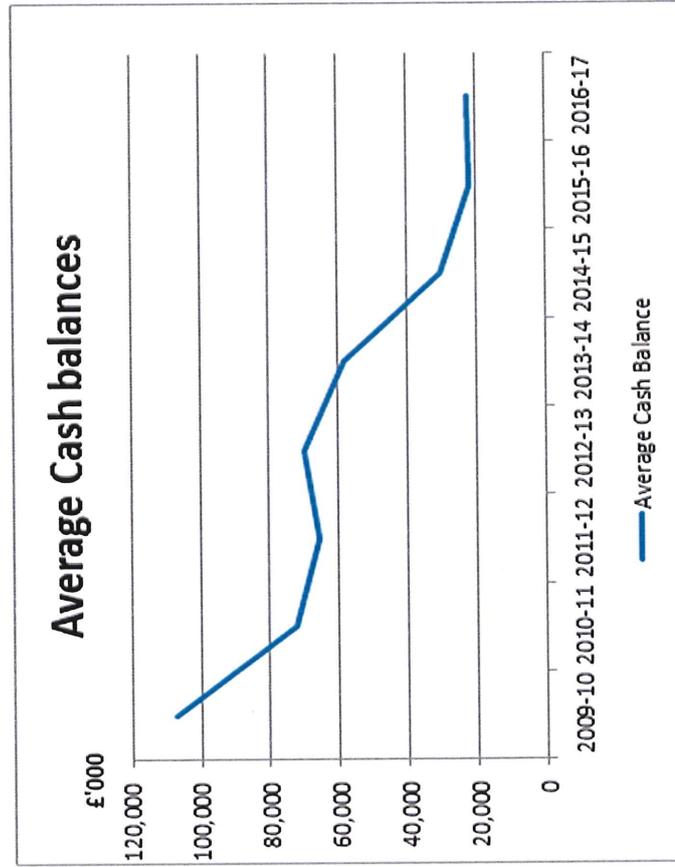
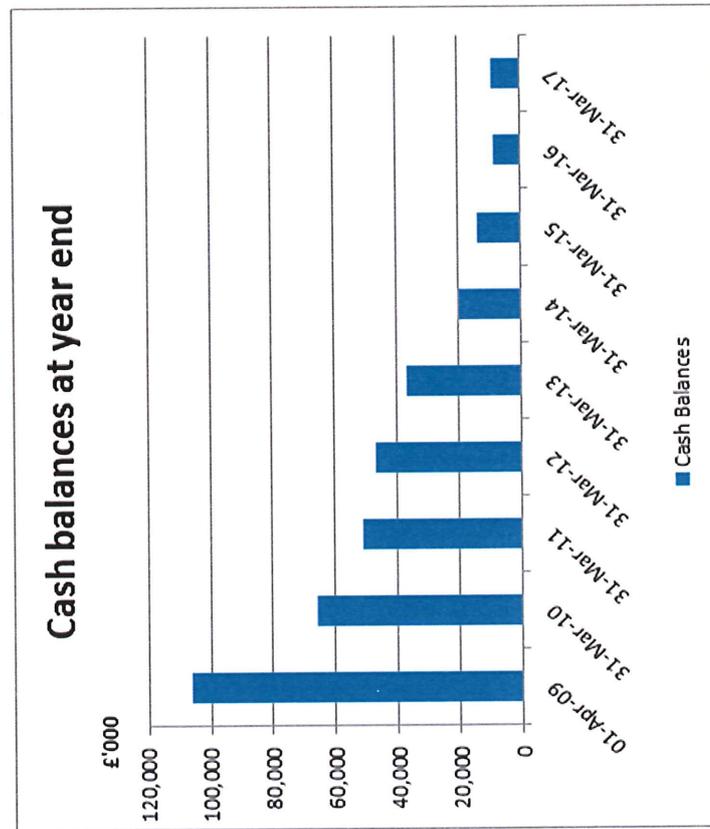
	GF £'000	HRA £'000
2009-10	6,971	-
2010-11	5,680	-
2011-12*	5,688	44
2012-13	5,637	3,977
2013-14	5,727	3,968
2014-15	5,267	4,013
2015-16	5,247	4,034
2016-17	5,025	3,975
* HRA debt taken 28th March 2012 interest payable for 4 Days		



Investment balances since 2009

(Excluding Lime Fund)

Includes schools balances from 20th November 2014



Investment Return since 2009

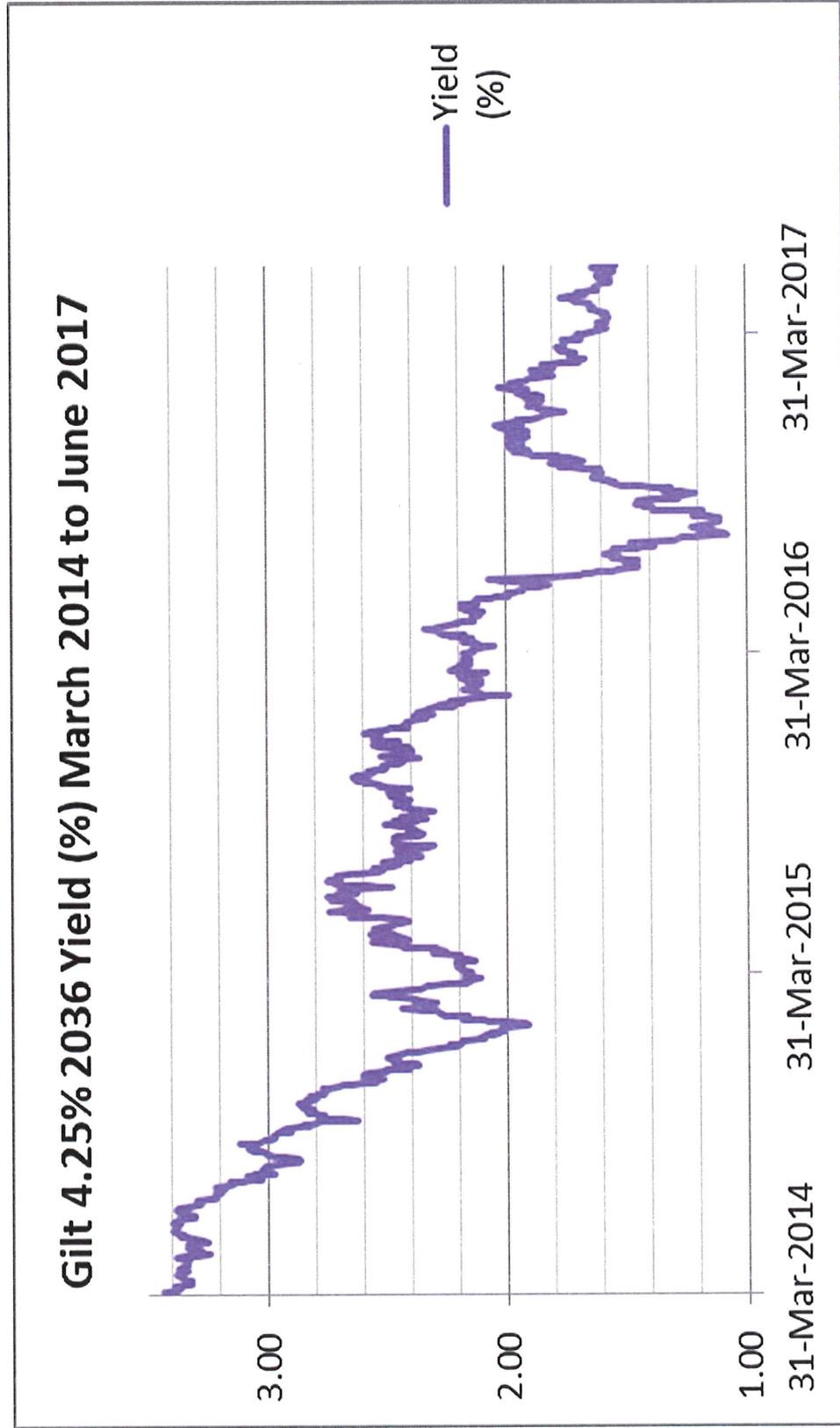
(Ex Lime Fund)

	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							
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

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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’.

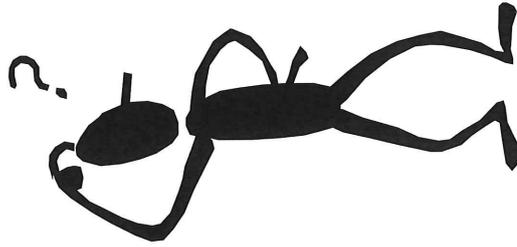
Conclusion and Next Steps

- 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
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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	£000		Adjustments	£000	
£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.