CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Wednesday, 30 May 2018

PRESENT

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

Cllrs N B Costin
D Shelvey
Cllrs A Zerny

Apologies for Absence: Cllrs P Downing
R Morris

Members in Attendance: Cllrs Mrs S A Goodchild

Officers in Attendance:	Mr D Galvin	Assistant Director of Finance
	Mr C Horne	Head of Internal Audit and Risk
	Mr L Manning	Committee Services Officer
	Ms S Michael	Head of Corporate Finance
	Ms S Pocock	Financial Controller
	Mr S Rix	Interim Monitoring Officer
	Mr C Warboys	Director of Resources
Others In Attendance:	Ms H Rothewell-Trickett	Ernst & Young LLP

AUD/18/57 **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 9 April 2018 be confirmed and signed by the Chairman as a correct record.

AUD/18/58 **Members' Interests**

None.

AUD/18/59 **Chairman's Announcements and Communications**

The Chairman asked Members to silence their mobile telephones. He then welcomed Councillor Costin, who had previously been a member of the Committee and who had re-joined in the new municipal year.

AUD/18/60. **Petitions**

No petitions were received from members of the public in accordance with the Public Participation Procedure set out in Part 4G of the Constitution.

AUD/18/61. **Questions, Statements or Deputations**

No questions, statements or deputations were received from members of the public in accordance with the Public Participation Procedure set out in Part 4G of the Constitution.

AUD/18/62. **Central Bedfordshire Council Unaudited Statement of Accounts 2017/18**

The Committee received a presentation on the unaudited Statement of Accounts for 2017/18. The presentation, entitled 'Unaudited Statement of Accounts 2017/18 – Presentation to Members 30/05/2018' was introduced by the Director of Resources, the Head of Corporate Finance and the Financial Controller.

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

In addition to the above, paper copies of the document entitled 'Extracts from Unaudited Statement of Accounts for the Year 2017/18 – Presentation to Members 30/05/2018 – Core Statements, EFA and Note 31' were also circulated. A copy of the document is attached at Appendix B to these minutes.

Points and comments included:

- The Director of Resources reminded Members that 2018 was the first year in which the Council was required, as were other local authorities, to complete its draft Statement of Accounts by 31 May. He explained that he would sign off the draft and it would be given to Ernst & Young LLP, the Council's external auditors, for audit. The fully audited Statement of Accounts would then be submitted to the Audit Committee at its meeting on 30 July 2018 for approval. The Director added that a public inspection period would begin on 31 May 2018 and last for 30 days.
- A Member queried the reference in Note 31 – Officers' Remuneration to the apparent level of compensation paid to the former Director of Improvement and Corporate Services for her loss of office given her salary and the time she was employed by the Council. In response the Director of Resources explained that the payment, which took place in 2016/17, was confidential so he had no details available. However, he believed that it included a sum in lieu of notice and any actuarial strain, if there was any, and possibly accrued annual leave. Further, it might not have been received by the former officer but, instead, represented a cost to the Council e.g. a payment to the Pension Fund. The Member

queried how he could access further information on this matter. The Director responded that he was unable to provide additional information as the payments were personal and had taken place during the 2016/17 financial year. Following comment by the Member, in which he indicated that his role as such on the Council justified access to the information he had requested, the Director offered no further opinion at that point.

- The Vice-Chairman commented that when the capital programme slipped the inflation rate had to be greater than the interest rate. The Director of Resources responded that the budget was not inflated and savings were sought to compensate. He added that, overall, slippage evened out over time. A Member commented that capital receipts were also delayed so more money was received due to the inflation rate increasing land values. The Member then sought information on assets held by the Council for sale. In reply the Director acknowledged that capital receipts had been inflated because of land values. He was unable to provide individual figures. With regard to assets held for sale the Financial Controller explained that these largely related to village farms and they had been revalued in 2018.
- A Member referred to the Arlesey Cross development and the Council's ownership of farm land. The Director of Resources stated that the strategy of using farm land was due to be considered by the Corporate Resources Overview and Scrutiny Committee in the near future and so would be in the public domain. The figure of £8m in the budget formed part of the capital slippage and would be used to replenish the Council's assets.
- The Chairman sought clarification on how assets held for sale were valued and whether a change in use would have an impact. The Director of Resources explained that an up to date valuation of land would include an allowance for planning consent where this had been received. Its current use was listed in the asset register then revalued if changes occurred.

In conclusion the Chairman thanked everyone for their efforts in preparing the unaudited Statement of Accounts.

NOTED

the presentation on Central Bedfordshire Council's Unaudited Statement of Accounts for 2017/18.

AUD/18/63 **Annual Governance Statement 2017/18**

The Committee considered a report which sought the Committee's approval of the Council's draft Annual Governance Statement (AGS) for 2017/18.

A copy of the draft Annual Governance Statement was attached at Appendix A to the report.

The Principal Lawyer, LGSS Law Ltd referred to paragraph 5 of the report and advised that the wording in the first sentence should be amended by deleting the words 'the beginning' and replacing them with 'section 6'.

Points and comments included:

- The Chairman commented on how the AGS developed from year to year and the document was not merely a reworking. He then referred to a reference in section 7 of the Statement to a strategic risk of failure to deliver community cohesion within the context of demographic growth in Central Bedfordshire and how it continued to have an impact on governance. In response the Director of Resources reminded the meeting of a national report regarding community cohesion. He explained how, to achieve this locally, the Council involved town and parish councils, volunteers and community organisations in community engagement.
- A Member referred to a reference in the Statement to another strategic risk which related to a failure to deliver a major transformation programme within Children's Services. He commented that the transformation was not taking place as quickly as he believed it would. The Director acknowledged that savings had not been achieved as envisaged and, as a result, the issue had been readdressed and was being monitored.

RESOLVED

that the draft Annual Governance Statement for 2017/18 be approved subject to the correction of any typographical errors.

AUD/18/64 **2017/18 Internal Audit Annual Audit Opinion**

The Committee considered the annual report of the Head of Internal Audit and Risk to those charged with governance on the overall adequacy and effectiveness of the Council's financial and other management internal controls.

Points and comments included:

- The Chairman sought clarification regarding those planned audits in 2017/19 which had been cancelled. In response the Head of Internal Audit and Risk explained that they had been cancelled for a range of reasons including Internal Audit team capacity and timing, when it was no longer considered appropriate for an audit to take place. The Director of Resources stressed that service areas were not permitted themselves to defer or cancel audits. An informal risk assessment was carried out on proposed deferrals and if a risk of fraud was identified the audit would continue.
- A Member commented that, with regard to the rolling programme of school reviews, only one school had been completed. In response the Head of Internal Audit and Risk stated that the standard approach had been followed and five other reviews were currently in progress.
- Following a query by the Chairman the Head of Internal Audit and Risk stated that appointments had been made to two vacant positions within the Internal Audit team and staff numbers were now up to strength.

- A Member queried how difficult it was to achieve a Full Assurance opinion following a review and how often that happened. In reply the Director of Resources explained that achieving a Full Assurance opinion was difficult as it could be interpreted as 'nothing could go wrong'.
- The Vice-Chairman referred to the review of Swift Financials and how the software related issues had originally been raised under the Bedfordshire County Council (legacy authority) some 10 years earlier. He stressed the need to make progress. In response the Head of Internal Audit and Risk stated that he was unaware of the historical context but assured Members that management would be looking to address the control weaknesses as part of the coming project to replace the current software.

NOTED

that the Head of Internal Audit and Risk's opinion on the Council's Internal Control environment continues, overall, to be adequate.

AUD/18/65 **Northamptonshire County Council Best Value Inspection - Summary of Findings and Learning Points for Central Bedfordshire Council**

The Committee considered a report which discussed the findings of the Northamptonshire County Council (NCC) Best Value Inspection and compared the financial and governance position of Central Bedfordshire Council (CBC). Arising from the outcomes of the Best Value Inspection the report also set out management actions (in the form of recommendations) for implementation to Central Bedfordshire Council's existing processes.

Accompanying the report at Appendix A was a slide pack entitled 'Lessons Learned from the Northamptonshire Best Value Inspection Report'. The Director of Resources worked through the presentation and expanded on the content where necessary.

Points and comments included:

- The Chairman referred to the comment in the presentation on the failure to allow Scrutiny at NCC to consider budgetary proposals earlier in their development (in the autumn). He also drew attention to the comment that CBC also needed to consider this issue as its own current budget timetable was tight and Scrutiny only had a relatively short period to consider proposals. The Director of Resources explained that it was not suggested that a full draft budget would be submitted for consideration but 5-6 items would be highlighted for Scrutiny to consider at an earlier stage (i.e. October-December).
- The Director of Resources commented that two KPMG ISA 260 reports stating an adverse opinion on value for money matters were reported to NCC's Audit Committee without comment and Members were ignored when seeking information. However, the Director also commented that he was unsure how far KPMG had sought to emphasise the financial

situation at NCC and he stressed that external auditors needed to adopt a more rigorous approach in the future.

- The extent of CBC's involvement with LGSS, being limited to legal services, was noted. It was also noted that the Director of Resources role was as a non-executive director who sat on the Board.
- The former Deputy Director of Legal Services and Monitoring Officer at CBC, had resigned and an executive director was being recruited. An interim internal appointment had been made.
- The Director of Resources referred to the level of debt owed to the LGSS Law by NCC and that Council's control mechanism. He explained how there would be no lasting impact on cash flow. With regard to reputation he commented that further mergers could be difficult.
- The Director of Resources referred to the Best Value Inspection report which stated that it was difficult to see what additional saving had arisen at NCC as a result of the structural grouping and what would have occurred by normal management action. Further, much of the reported saving was routine service reductions. At CBC LGSS Law had initially delivered savings but in 2017/18 the outcome had been mixed. CBC was currently experiencing a large overspend on legal services. The volume of work had increased partly as the result of directing work through LGSS, rather than other third parties as would have occurred in the past so there were no hidden charges, but mainly because of an increase in the volume of cases from Children's Services.
- Some Members raised the possibility of a review of the role of LGSS in CBC. In response to comments the Director of Resources stated that CBC had not purchased an asset value as such and there was no likelihood of LGSS becoming insolvent. All the shareholders had confirmed their commitment. Whilst some personnel had left interim staff could be depended on to continue to provide the service. The Director stressed that the recent departure of a senior LGSS officer (CBC's former Deputy Director of Legal Services/Monitoring Officer) and the financial situation at NCC were not linked
- A Member expressed his appreciation of the Director's efforts but reiterated his view that a report should be submitted as quickly as possible. In response the Director stated that he was willing to provide a general update for Members though he would be unable to comment on some issues because of the current legal situation. The Chairman welcomed this offer and requested that non-financial issues such as reputation be included in the update.
- A Member raised the issue of any monies owed by NCC to LGSS Law and asked if the company had been possibly rendered unsustainable as a result. In response the Director stated that whilst NCC owed money there was no reason to think any debts would remain unpaid or that the company was insolvent. The Director stated that, whilst it was not possible to guarantee that a similar situation would not happen at CBC, the working relationship between Members, officers and the Council's external auditors was different from that at NCC. Nonetheless, he stressed the continued need to be attentive and diligent when considering financial and governance issues. The Chairman expressed his appreciation of the Director's efforts and initiative in bringing forward this report.

- A Member queried if CBC was assisting NCC. The Director advised that NCC was receiving help and support from the Local Government Association. He stated that he had not been approached to provide assistance and he was not aware that any other officer in CBC had either.
- The Director confirmed that the Best Value Inspection Report had concluded that internal management action at NCC could have achieved the savings rather than through the use of LGSS. He added that in the first year of CBC's use of LGSS Law savings had been made. However, this had not continued into the second year because LGSS had been asked to carry out a greater workload.
- In the context of financial stability the meeting considered a comparison of the Council Tax income at NCC and CBC since 2013/14. In response to a query by the Chairman regarding CBC choosing not to maximise its Council Tax income over a number of years the Director explained that this was a political decision. The meeting was reminded that CBC had received some compensation for not raising its Council Tax in the form of a Council Tax Freeze Grant from 2013/14 to 2015/16.

NOTED

1 the findings of the Northamptonshire County Council Best Value Inspection;

2 the comparison of the financial and governance position of Central Bedfordshire Council with Northamptonshire County Council;

3 the recommendations to be implemented by management to Central Bedfordshire Council's existing processes as a result of the recommendations outlined in the Best Value Inspection of Northamptonshire County Council.

RESOLVED

that the Director of Resources submit an update to the next meeting of the Audit Committee on the role of LGSS Law Ltd at Central Bedfordshire Council.

AUD/18/66. **Work Programme**

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

Given the lengthy period between the next meeting of the Committee on 30 July 2018 and the following meeting on 19 November 2018 the Chairman assured Members that should any issues arise during that period then they would be brought to the Committee's attention.

RESOLVED

that the proposed Audit Committee work programme, as set out at Appendix A to the report of the Committee Services Officer, be approved subject to including the following item:

- **30 July 2018 – Update on the operation of LGSS Law Ltd within Central Bedfordshire Council.**

(Note: The meeting commenced at 10.00 a.m. and concluded at 12.05 p.m..)

Chairman …….

Dated …….

Appendix A

Unaudited Statement of Accounts 2017/18

Presentation to Members 30/05/2018

Charles Warboys, Director of Resources

Sarah Michael, Head of Corporate Finance

Stephanie Pocock, Financial Controller

Agenda

- Background – Charles Warboys
- Commentary on the statements – Sarah Michael Stephanie Pocock
- Conclusions and Next steps – Charles Warboys
- Any Questions

Accounts – Purpose

- Present a comprehensive picture of the financial health of the Council
- Encourage a focus on the assets and liabilities of the Council, not just on the bottom line
- Show income, expenditure, assets and liabilities for the year, in a format – total cost basis - which can be compared with other organisations
- Contain statutory disclosures, including those relating to Members' interests, allowances and officer remuneration

Background

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

Examples

- Note 7 'Expenditure and Funding Analysis' statement and associated notes - effectively the Council's management accounts as reported in the Outturn 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

Commentary on the Statements

Sarah Michael & Stephanie Pocock

Head of Corporate Finance & Financial Controller

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'
  - Comprehensive Income and Expenditure
  - Movement in Reserves
  - Balance Sheet
  - Cash Flow
- Notes to the Accounts – 45 Notes
- Supplementary Statements ;
  - HRA and Collection Fund
- Published with but NOT part of the Statements
  - Glossary
  - Annual Governance Statement

Commentary on the statements

Handout

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Expenditure and Funding Analysis Note 7
- Employee Remuneration Note 31

Comprehensive Income and Expenditure

2016/17 Expenditure £000	2016/17 Income £000	2016/17 Net £000		2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net £000
535,796	**(322,110)**	**213,686**	**Cost of Services**	**567,768**	**(316,898)**	**250,870**
15,639	0	15,639	Other Operating Expenditure	12,442	(8,668)	3,774
36,842	(15,535)	21,307	Financing and Investment Income and Expenditure	34,594	(13,357)	21,237
11,046	(250,786)	(239,741)	Taxation and Non Specific Grant Income	6,577	(253,455)	(246,878)
599,323	**(588,432)**	**10,892**	**Surplus or Deficit on Provision of Services**	**621,380**	**(592,377)**	**29,003**
		(86,500)	Surplus or deficit on revaluation of Property, Plant and Equipment			(49,167)
		(128)	Surplus or deficit on revaluation of available for sale financial assets			(210)
		85,042	Remeasurement of the net defined benefit liability / asset			(7,765)
		(1,587)	**Other Comprehensive Income and Expenditure**			**(57,142)**
		9,305	**Total Comprehensive Income and Expenditure**			**(28,139)**

Where the money comes from IFRS

Central Bedfordshire Council Comprehensive Income and Expenditure	2016/17	2017/18	
Income	£000	£000	
Specific Revenue Grants	217,005	208,440	36.64%
Council Tax	142,800	152,065	26.73%
Fees, Charges and Rents	112,459	113,243	19.90%
RSG (Government Grants)	20,152	10,599	1.86%
Business Rates net of Levy and Tariff	31,204	33,486	5.89%
Other non ring fenced grants	3,997	6,035	1.06%
Interest Income	353	346	0.06%
Capital Grants and Contributions	41,588	44,732	7.86%
	569,558	568,946	100.00%

Reserves

- General Fund
- Revaluation
- Pensions

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

Usable Reserves

	31/03/2017	31/03/2018	(Increase)/ Reduction	SoA
	£'000	£'000	£'000	Note
General Fund Balance	(15,569)	(15,647)	(78)	MIRS
General Fund Earmarked Reserves	(54,442)	(61,387)	(6,945)	10
HRA Balance	(2,000)	(2,000)	0	HRA Pg 115
HRA Earmarked Reserve	(21,571)	(26,770)	(5,199)	10
HRA Major Repairs Reserve	(200)	(200)	0	HRA Pg 115
Capital Receipts Reserve	(6,474)	(30,184)	(23,710)	23
Capital Grants Unapplied Reserve	(2,459)	(2,216)	244	23
Total Usable Reserves	**(102,715)**	**(138,404)**	**(35,689)**	

Unusable Reserves

	31/03/2017	31/03/2018	(Increase)/ Reduction*	SoA
	£'000	£'000	£'000	Note 24
Revaluation Reserve	(263,823)	(279,909)	(16,086)	
Available for Sale Reserve	(279)	(489)	(210)	
Pension Reserve (*Debit Reserve)	416,484	430,371	13,887	
Capital Adjustment Account	(538,503)	(530,275)	8,228	
Collection Fund Adjustment Account	(1,814)	180	1,994	
Short Term Accumulated Absences (*Debit Reserve)	2,563	2,300	(263)	
Total Unusable Reserves	**(385,372)**	**(377,822)**	**7,550**	
Total Usable Reserves	**(102,715)**	**(138,404)**	**(35,689)**	
Total Reserves	**(488,087)**	**(516,226)**	**(28,139)**	

Capital Budget and Outturn 2017/18

Gross Capital Expenditure by Directorate	Budget £'000's	Outturn £000's	Variance £000's
Children's Services	13,084	18,582	5,498
Community Services	66,922	36,786	(30,136)
Regeneration and Business Support	19,631	4,658	(14,973)
Social Care, Health and Housing	10,955	3,171	(7,784)
HRA	16,472	7,519	(8,953)
Total Net Expenditure - reported	**127,064**	**70,716**	**(56,348)**
Total including s106		**80,685**	
Financed by			
Grants and Contributions	(53,377)	(40,269)	13,108
Revenue Contribution	(1,589)	(1,589)	0
Capital Receipts	(12,000)	(28,858)	(16,858)
Borrowing	(60,098)	0	60,098
Total Funding	**127,064**	**70,716**	**(56,348)**
Total including s106		**(80,685)**	

Capital Expenditure and Borrowing Requirement

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2009-2018
	£'000	£'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	48,650	520,776
Investment properties	-	-	97	84	101	335	-	-		617
Intangible assets	-	1,369	1,415	527	228	784	315	1,050	544	6,232
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	10,619	12,103	23,890	21,085	19,773	32,241	27,506	28,275	31,492	206,984
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	80,686	
memo line Adjusted for HRA Financing	*51,850*	*52,345*	*64,762*	*73,411*	*82,064*	*104,533*	*111,751*	*113,207*	*80,686*	734,609
Sources of finance:										
Capital receipts	(1,490)	(29,826)	(3,780)	(3,665)	(2,851)	(1,636)	(5,081)	(10,268)	(28,858)	(87,455)
Government grants and other contributions	(25,514)	(24,722)	(41,808)	(38,481)	(44,564)	(52,415)	(52,863)	(42,388)	(44,976)	(367,731)
Major Repairs Allowance			(3,805)	0	(6,569)	(3,597)	(3,946)	(4,567)	(5,262)	(27,746)
Sums set aside from revenue:										
Direct revenue contributions	(702)	(1,502)	(1,288)	(528)	(2,256)	(10,900)	(12,103)	(5,698)	(1,590)	(36,567)
Minimum Revenue Provision (MRP) / PFI principal	(4,473)	(7,025)	(5,534)	(5,874)	(7,074)	(7,250)	(8,867)	(1,648)	(5,161)	(52,906)
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)**	**(85,847)**	(575,999)
Closing Capital Financing Requirement	211,419	200,516	370,942	399,434	418,184	446,920	475,811	524,446	519,185	
Increase/(decrease) in Capital Financing Requirement	**19,122**	**-10,957**	**170,764**	**24,863**	**18,750**	**28,735**	**28,891**	**48,638**	**-5,161**	323,645
					Cumulative borrowing need ex HRA 2009/18					**158,650**

Assets and Liabilities

Assets

- Property, Plant & Equipment (PPE)
- Cash / Short-term investments
- Assets Held for Sale

Liabilities

- Borrowing – short- term
- Pensions
- Capital Grants received in advance

Assets

	31/03/2017	31/03/2018	Increase/ (Reduction)	SoA
	£'000	£'000	£'000	Note
Property, Plant & Equipment	1,309,583	1,306,250	(3,334)	14
Intangible Assets	12,185	11,334	(851)	15
Long Term Investments	5,279	5,489	210	16
Long Term Debtors	491	16	(475)	16
Long Term Assets	**1,327,538**	**1,323,089**	**(4,449)**	
Short Term Investments	1,007	4,513	3,507	16
Assets Held for Sale	6	6,786	6,780	20
Inventories	90	0	(90)	
Short Term Debtors	44,726	45,498	771	18
Cash and Cash Equivalents	4,263	7,111	2,848	19
Current Assets	**50,093**	**63,908**	**13,816**	
Total Assets	**1,377,631**	**1,386,997**	**9,366**	

Long Term Investments - Lime Fund

Short Term Investments - Deposits at 3 months Notice

Liabilities

	31/03/2017	31/03/2018	(Increase)/ Reduction	SoA
	£'000	£'000	£'000	Note
Short Term Borrowing	(73,430)	(27,341)	46,089	16
Private Finance Initiative - Short Term	(711)	(787)	(76)	39
Short Term Creditors	(59,080)	(55,819)	3,260	21
Provisions	(6,101)	(5,231)	870	22
Current Liabilities	**(139,321)**	**(89,178)**	**50,143**	
Long Term Borrowing	(274,279)	(274,320)	(41)	16
Private Finance Initiative - Long Term	(16,532)	(15,745)	787	
Net Liability Pensions	(416,484)	(430,371)	(13,887)	39
Capital Grants received in advance	(42,927)	(61,158)	(18,230)	34
Long Term Liabilities	**(750,222)**	**(781,593)**	**(31,371)**	
Total Liabilities	**(889,543)**	**(870,771)**	**18,772**	
Total Assets	1,377,631	1,386,997	9,366	
Net Assets	**488,088**	**516,226**	**28,138**	

Supplementary Statements

HRA Account

- Benefiting from low interest rates
- Reserving for and funding independent living schemes and strategic priorities Cap Exp £7.5m (£11.4m 16/17)
- 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), £4.4m (16/17) to £0.5m (CBC share of surplus £0.4m).
- 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), £3.9m (16/17) now £1.4m (CBC share of deficit £0.7m).

Other Items: Remuneration Note 31

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

	2015/16	2016/17	2017/18
Permanent	191	197	183

- The figures exclude members of the Corporate Management Team, who are disclosed individually.

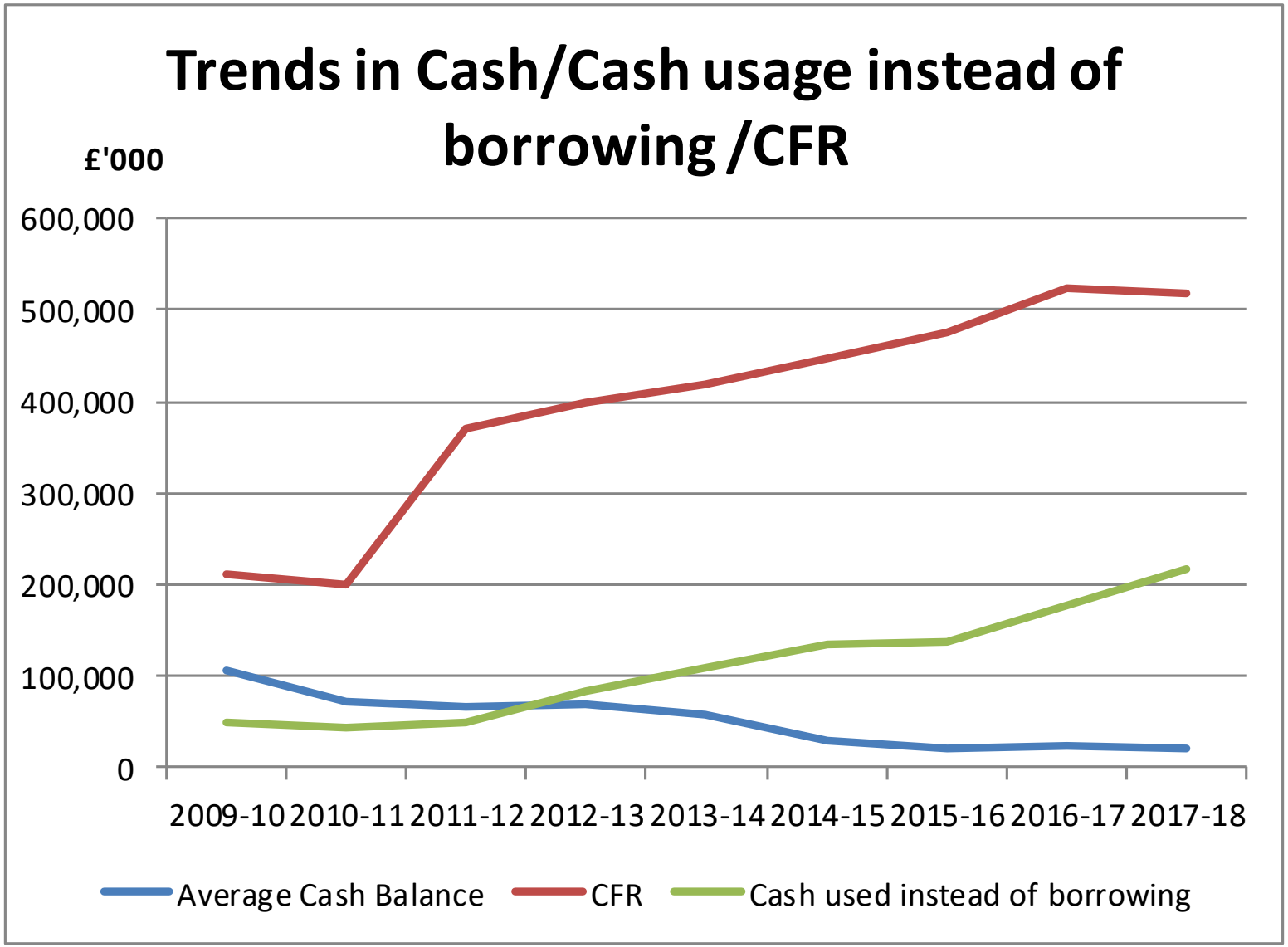
- The contracts of 46 staff (38 in 16/17) were terminated in year with £642k (£673k in 16/17) paid as redundancy costs.

Low Interest Rates

- The Council's capital financing requirement (need to borrow) has reduced significantly in the financial year to £-5.161m (a reduction of £53.8m) following a significant increase in capital receipts.

- The capital medium term financial plan projects an increase in borrowing in future years

- With an ongoing capital programme the Council will need to borrow externally in the next financial year.


Trends in Cash/Cash usage instead of borrowing /CFR
£'000
600,000
500,000
400,000
300,000
200,000
100,000
0
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15
2015-16
2016-17
2017-18
Average Cash Balance
CFR
Cash used instead of borrowing

LGPS Pension Scheme Deficits

- Council's largest liability at £430.4m an increase of £13.9m 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)

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	31/3/18
Discount Rate	5.5%	5.5%	4.8%	4.5%	4.2%	3.2%	3.5%	2.6%	2.7%
	£M	£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)	(934.7)
Assets	352.1	336.2	332.2	365.7	377.2	422.7	427.1	500.9	504.4
Deficit	326.3	197.3	249.6	303.8	307.2	379.6	320.6	416.5	430.4
Funding level	52%	63%	57%	55%	55%	53%	57%	55%	54%

Pensions

- Assets and Liabilities follows IAS 19

	2014/15	2015/16	2016/17	2017/18	Change 15/16 – 16/17
Liabilities	(£802m)	(£748m)	(£918m)	(£935m)	£17m (1.9%)
Assets	£423m	£427m	£501m	£504m	£3m (0.7%)
Net Deficit	(£379m)	(£321m)	(£417m)	(£430m)	£14m (3.3%)
Assets as % Liabilities IAS 19	52.7%	57.1%	54.6%	54.0%	

- 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

Changes

- The 2018/19 Code of Practice introduces a new accounting standard that will have an impact on the accounts

  IFRS 9 *Financial Instruments*

  The Code adopts the new classification and measurement requirements for financial assets, the new expected credit loss impairment model and new disclosure requirements as a consequence of the adoption of the standard.

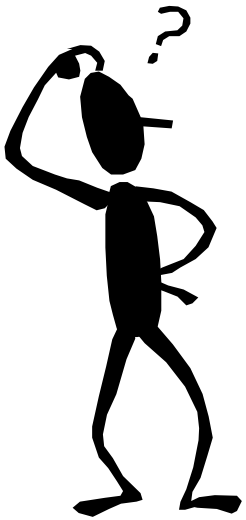
- At present CIPFA are working with MHCLG in order to introduce a statutory override which will reduce the impact upon local government. The implementation of IFRS9 will mean that all financial assets will need to be reclassified, this could result in an impact to the Council's bottom line.

- Further it is anticipated that the 2019/20 Code of Practice will introduce a further accounting standard, IFRS 16 *Leases,* which will be effective for reporting periods commencing after 1 January 2019.

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
- The accounts will be audited by Ernst & Young LLP during June and July
- Public Inspection Period 31st May to – 11th July (30 working days)
- The final accounts will be approved by Audit Committee at the meeting on 30 July 2018

Any Questions?



Appendix B

Central Bedfordshire Council
www.centralbedfordshire.gov.uk

Extracts from Unaudited Statement of Accounts for the year 2017/18

UNAUDITED

Presentation to Members 30/05/2018

Core Statements, EFA and Note 31

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

Expenditure and Funding Analysis – Note 7

Officers' Remuneration – Note 31

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.

2016/17				2017/18		
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
103,622	(28,276)	75,346	Social Care, Health & Housing	107,535	(30,003)	77,532
84,951	(29,088)	55,863	Children's Services	82,751	(30,678)	52,073
80,581	(15,667)	64,914	Community Services	103,667	(18,779)	84,888
17,205	(7,274)	9,931	Regeneration & Business Support	27,871	(8,887)	18,984
17,753	(17,953)	(200)	Public Health	17,408	(17,460)	(52)
10,851	(1,702)	9,149	Chief Executives	1,532	(118)	1,414
78,779	(67,405)	11,374	Resources	78,628	(64,620)	14,008
2,492	(12,430)	(9,938)	Corporate Costs	3,227	(12,621)	(9,394)
118,187	(112,677)	5,510	Schools	109,899	(104,646)	5,253
21,376	(29,639)	(8,263)	Landlord Business (HRA)	35,250	(29,087)	6,163
535,796	**(322,110)**	**213,686**	**Cost of Services**	**567,768**	**(316,898)**	**250,870**
15,639	0	15,639	Other Operating Expenditure (Note 11)	12,442	(8,668)	3,774
36,842	(15,535)	21,307	Financing and Investment Income and Expenditure (Note 12)	34,594	(13,357)	21,237
11,046	(250,786)	(239,741)	Taxation and Non Specific Grant Income (Note 13)	6,577	(253,455)	(246,878)
599,323	**(588,432)**	**10,892**	**Surplus or Deficit on Provision of Services**	**621,380**	**(592,377)**	**29,003**
		(86,500)	Surplus or deficit on revaluation of Property, Plant and Equipment (Note 24)			(49,167)
		(128)	Surplus or deficit on revaluation of available for sale financial assets			(210)
		85,042	Remeasurement of the net defined benefit liability / asset (Note 41)			(7,765)
		(1,587)	**Other Comprehensive Income and Expenditure**			**(57,142)**
		9,305	**Total Comprehensive Income and Expenditure**			**(28,139)**

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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	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	(15,569)	(54,442)	(2,000)	(21,571)	(6,474)	(200)	(2,459)	**(102,715)**	(385,373)	**(488,087)**
Movement in reserves during 2017/18										
Surplus or deficit on the provision of services	20,518		8,486					**29,003**		**29,003**
Other Comprehensive Income / Expenditure									(57,142)	**(57,142)**
Total Comprehensive Income and Expenditure	**20,518**	**0**	**8,486**	**0**				**29,003**	**(57,142)**	**(28,139)**
Adjustments between accounting basis and funding basis under regulations	(27,541)		(13,685)		(23,710)	0	244	**(64,692)**	64,692	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**(7,023)**	**0**	**(5,199)**	**0**	**(23,710)**	**0**	**244**	**(35,689)**	**7,550**	**(28,139)**
Transfers to / from Earmarked Reserves	6,945	(6,945)	5,199	(5,199)				**0**	0	**0**
Increase or Decrease in 2017/18	**(78)**	**(6,945)**	**0**	**(5,199)**	**(23,710)**	**0**	**244**	**(35,689)**	**7,550**	**(28,139)**
Balance at 31 March 2018	**(15,647)**	**(61,387)**	**(2,000)**	**(26,770)**	**(30,184)**	**(200)**	**(2,216)**	**(138,404)**	**(377,822)**	**(516,226)**

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	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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 or 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	(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	10,047	(10,047)	4,319	(4,319)				**0**	0	**0**
Increase or 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)**	**(385,373)**	**(488,087)**

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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 2017 £000		Note	31 March 2018 £000
1,309,583	Property, Plant and Equipment	14	1,306,250
12,185	Intangible Assets	15	11,334
5,279	Long Term Investments	16	5,489
491	Long Term Debtors	16	16
1,327,538	**Long Term Assets**		**1,323,089**
1,007	Short-term Investments	16	4,513
6	Assets Held for Sale	20	6,786
90	Inventories	17	0
44,726	Short Term Debtors	18	45,498
4,263	Cash and Cash Equivalents	19	7,111
50,093	**Current Assets**		**63,908**
(73,430)	Short-Term Borrowing	16	(27,341)
(59,791)	Short-Term Creditors	21	(56,606)
(6,101)	Provisions	22	(5,231)
(139,321)	**Current Liabilities**		**(89,178)**
(274,279)	Long Term Borrowing	16	(274,320)
(433,016)	Other Long-Term Liabilities	38 & 41	(446,116)
(42,927)	Grants Receipts in Advance - Capital	34	(61,158)
(750,222)	**Long Term Liabilities**		**(781,593)**
488,087	**Net Assets**		**516,226**
(102,715)	Usable Reserves	23	(138,404)
(385,373)	Unusable Reserves	24	(377,822)
(488,087)	**Total Reserves**		**(516,226)**

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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.

2016/17 £000		Note	2017/18 £000
10,892	Net (surplus) or deficit on the provision of services		29,003
(76,772)	Adjustment to surplus or deficit on the provision of services for noncash movements	25	(112,898)
55,851	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	25	97,813
(10,029)	**Net cash flows from operating activities**		**13,918**
17,026	Net cash flows from investing activities	26	(63,033)
(10,852)	Net cash flows from financing activities	27	46,267
(3,854)	**Net (increase) or decrease in cash and cash equivalents**		**2,848**
409	Cash and cash equivalents at the beginning of the reporting period		4,263
4,263	**Cash and cash equivalents at the end of the reporting period**	**19**	**(7,111)**

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Note 7 - Expenditure and Funding Analysis

2016/17 Net Expenditure Chargeable to the General Fund and HRA Balance	2016/17 Adjustments	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement		2017/18 Net Expenditure Chargeable to the General Fund and HRA Balance	2017/18 Adjustments	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
75,654	(308)	75,346	Social Care, Health & Housing	79,867	(2,335)	77,533
54,378	1,486	55,864	Childrens Services	37,149	14,924	52,073
45,977	18,937	64,913	Community Services	53,433	31,457	84,889
6,247	3,684	9,931	Regeneration & Business Support	4,527	14,457	18,984
(187)	(13)	(201)	Public Health	(117)	64	(53)
7,790	1,359	9,148	Chief Executives	1,293	122	1,414
11,490	(115)	11,375	Resources	12,976	1,033	14,009
2,792	(12,730)	(9,938)	Corporate Costs	2,850	(12,245)	(9,395)
(18,212)	23,722	5,510	Schools	(1,568)	6,821	5,253
(8,242)	(20)	(8,263)	Landlord Business (HRA)	(9,181)	15,345	6,164
177,685	**36,001**	**213,686**	**Net Cost of Services**	**181,228**	**69,642**	**250,870**
(177,737)	(25,057)	(202,794)	Other Income and Expenditure	(181,306)	(40,562)	(221,866)
(52)	**10,944**	**10,892**	**Surplus or Deficit on Provision of Services**	**(78)**	**29,080**	**29,003**
(79,164)			Opening Combined General Fund and HRA Balance	(93,582)		
(52)			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	(78)		
(14,366)			Transfers to/from other Reserves	(12,144)		
(93,582)			**Closing Combined General Fund and HRA Balance**	**(105,804)**		

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Note 31 - Officers' Remuneration

Senior officers are defined by the Council as any officer at Director level or above. During 2017/18, this classification included the Chief Executive and six Directors.

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

Senior Officer Remuneration

2017/18		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£0	£0	£0	£0	£0
Chief Executive (R Carr)	**2017/18**	184,944	802	0	44,756	**230,502**
	2016/17	183,113	1,457	0	45,595	**230,165**
Director of Children's Services (S Harrison)	**2017/18**	147,915	234	0	35,795	**183,944**
	2016/17	146,450	748	0	36,466	**183,664**
Director of Social Care, Health & Housing (J Ogley)	**2017/18**	147,915	919	0	35,795	**184,629**
	2016/17	146,450	1,699	0	36,466	**184,615**
Director of Resources (C Warboys)	**2017/18**	124,230	317	0	30,064	**154,611**
	2016/17	117,050	1,073	0	29,145	**147,268**
Director of Community Services (M Coiffait)	**2017/18**	124,230	316	0	30,064	**154,610**
	2016/17	117,050	528	0	29,145	**146,723**
Director of Improvement & Corporate Services (D Broadbent-Clarke)	**2017/18**	0	0	0	0	**0**
	2016/17	34,050	167	63,287	0	**97,504**
Director of Regeneration & Business Support (J Longhurst)	**2017/18**	121,200	805	0	29,330	**151,335**
	2016/17	115,550	2,685	0	28,772	**147,007**
Director of Public Health (M Scott)	**2017/18**	40,617	1,489	0	6,413	**48,519**
	2016/17	101,182	2,994	0	25,734	**129,910**
Total	**2017/18**	**891,051**	**4,882**	**0**	**212,217**	**1,108,150**
	2016/17	**960,895**	**11,351**	**63,287**	**231,323**	**1,266,856**

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

Muriel Scott, Director of Public Health, is funded by Central Bedfordshire Council, Bedford Borough Council and Milton Keynes Council. She is formally employed by Bedford Borough Council and Central Bedfordshire Council was recharged 40% of her salary and other remuneration in 2017/18 as shown in the above table. The figures shown for 2016/17 reflect her full salary and other remuneration, the Council's recharge in 2016/17 was £52,671.

There were no other payments in either year to senior employees in relation to bonuses.

The table below shows the Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions):

Officer Remuneration

	Number of Employees	
	2016/17	**2017/18**
£50,001 to £55,000	51	45
£55,001 to £60,000	58	51
£60,001 to £65,000	36	28
£65,001 to £70,000	21	30
£70,001 to £75,000	8	8
£75,001 to £80,000	6	7
£80,001 to £85,000	3	4
£85,001 to £90,000	6	4
£90,001 to £95,000	1	2
£95,001 to £100,000	4	0
£100,001 to £105,000	3	3
Total	**197**	**183**

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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 (£)	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**
£0-£20,000	22	32	5	5	27	37	116,000	230,000
£20,001 - £ 40,000	6	3	0	0	6	3	155,000	87,000
£40,001 - £ 60,000	1	3	1	1	2	4	90,000	194,000
£60,001 - £200,000	1	1	2	1	3	2	312,000	131,000
Total	**30**	**39**	**8**	**7**	**38**	**46**	**673,000**	**642,000**

The table above shows all exit packages that have been charged to the Council's Comprehensive Income and Expenditure Statement in the current year and includes all benefits on termination, e.g., redundancy, pay in lieu of notice, severance and actuarial strain.

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