

# STATEMENT OF ACCOUNTS

2008/2009



**MID ♦ BEDS**  
DISTRICT COUNCIL

**MID BEDS DISTRICT COUNCIL**

**FINANCIAL YEAR 2008/2009**

I confirm that these Accounts were approved by the Central Bedfordshire Council Audit Committee at the meeting held on 27<sup>th</sup> July 2009.

Signed on behalf of Central Bedfordshire Council

David Lawrence  
Chairman of the Audit Committee

Clive Heaphy, CPFA  
Director of Corporate Resources  
Section 151 Officer

Date:



# MID BEDS DISTRICT COUNCIL

# STATEMENT OF ACCOUNTS

2008/2009

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## EXPLANATORY FOREWORD

### 1. Introduction

The purpose of this foreword is to provide a guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 2009 . Its aim is to give electors, local taxpayers, Council members and any other interested parties clear information on the overall finances of the Council.

It gives a brief summary of the overall financial position of the Council, and sets out how the Council's budget is spent and financed.

This is the last year of operation of the Council. From 1 April 2009, Mid Beds has become part of the new Central Bedfordshire Council which covers the areas previously administered by Mid and South Beds. The implementation of the new authority has a number of implications within the Statement of Accounts, which are referred to throughout this document.

In particular, Mid Beds performed a lead 'stewardship' role in terms of incurring, controlling, and accounting for the expenditure associated with the implementation of the new authority. This has meant that the levels of creditors and debtors in Mid Beds' accounts are higher than would be the case in a normal year of operation due to a higher level of transactions.

The accounting statements that comprise the Council's Statutory Statement of Accounts include the following: -

#### **The Income and Expenditure Account (16)**

This Account is a summary of the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

It shows the income and expenditure for all the Council's services and various other items charged or credited to the Council's General Fund. It also illustrates how the net cost of services has been funded from government grants and income from local taxpayers.

#### **Statement of Movement on the General Fund Balance (16)**

This statement reconciles the Income and Expenditure Account with the General Fund Balance (which shows whether the Council was within the approved budget for the year).

**Statement of Total Recognised Gains and Losses (17)**

The Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

**The Balance Sheet (page 18)**

This statement shows the Council's financial position at the year-end. It includes the balances and reserves of the Council, the fixed and net current assets employed in its operations, together with summarised information on the items contained in it.

The Balance Sheet summarises in its top half all of the assets that the Council owns and the liabilities that it owes to others. The bottom half sets out how the net assets of the Council are allocated between usable resources, resources that have been set aside to finance capital expenditure, unrealised gains from increases in asset values and reserves needed to manage the complexities of local authority accounting.

**The Cash Flow Statement (19)**

This statement summarises the inflows and outflows of cash arising from external transactions with third parties for both capital and revenue purposes. Internal transfers are thus excluded from this statement.

**The Movement on Reserves (47)**

This statement brings together all the movements in the Council's reserves during the financial year.

**The Collection Fund (59)**

This account reflects the requirements to maintain a separate account for Council Tax and Business Rates transactions.

It shows the transactions relating to the collection of Council Tax and Non Domestic Rates. It shows how this money is then distributed between Authorities providing services to people and businesses within the County.

In addition to the above, the figures are supported by a Statement of Accounting Policies, which is set out later within this document, and by various notes appended to the accounts. **The Annual Governance Statement** is included on pages 63 to 79 of this document. The **Audit Report** is included on pages 74 to 76.

### **Local Government Reorganisation (LGR) Transition Costs**

The Statement of Accounts of Mid Beds contain expenditure incurred during 2008/09 relating to Local Government Reorganisation in the implementation of the new Central Bedfordshire Council. This expenditure has been incurred in advance of vesting day and includes expenditure on ICT systems, communications, staffing, etc.

During the year, expenditure was primarily incurred and controlled by Mid Bedfordshire District Council. At year end, all costs relating to transition and the implementation of Central Bedfordshire Council have been allocated to Bedfordshire County Council, Mid Beds, and South Beds, in proportion to each authority's 2008/09 precept. A significant proportion of the costs relate to severance.

### **LGR Severance Costs**

The financial impact of all severance and redundancy costs relating to LGR have been included in the 2008/09 accounts, as the decisions on redundancy and severance had been made prior to 31 March 2009. The severance costs include the cost of redundancy payments and the actuarial costs to be paid over to the Pension Fund by Central Bedfordshire Council. Redundancy costs have initially been funded by the authority employing the relevant staff and have subsequently been 'pooled' into the allocation to authorities referred to above.



## 2. Revenue Budget and Resources

### 2.1 Original 2008/09 Budget Comparison to Actual Outturn

The Council approved the original revenue budget for 2008/09 in March 2008 and the major components of this are set down below, together with a summary of actual income and expenditure to show how this affected the Council's overall financial position.

	Budget	Actual	Variance
	£'000	£'000	£'000
Gross Expenditure:			
Services (exc. Benefits)	29,035	27,653	(1,382)
Benefits (inc. Admin)	<u>25,235</u>	<u>26,229</u>	<u>994</u>
Total	54,270	53,882	(388)
Gross Income:			
Services (exc. Benefits)	(3,408)	(4,128)	(720)
Benefits (inc. Admin)	<u>(24,356)</u>	<u>(25,942)</u>	<u>(1,586)</u>
Total	(27,764)	30,070	
Net Expenditure prior to adjustments	26,506	23,812	(2,694)
<b>Less</b>			
FRS 17 accounting entries (pensions)	(1,116)	(1,467)	(351)
Capital accounting adjustments	(8,958)	(6,412)	2,546
Employers Contributions payable to the Pensions Fund	1,299	1,484	185
Net expenditure on General Fund services	17,731	17,417	(314)
Net Contribution to/(from) reserves	(486)	1,334	1,820
Miscellaneous Adjustments/BCCI	0	(37)	(37)
Interest received	<u>(2,910)</u>	<u>(3,005)</u>	<u>(95)</u>
Parish precepts	3,585	3,585	0
General Fund surplus 2008/09	<u>0</u>	<u>(367)</u>	<u>(367)</u>
Total Expenditure	<u>17,920</u>	<u>18,927</u>	<u>1,007</u>
Income from:			
Collection Fund (Council Tax share)	(9,078)	(9,078)	0
Revenue Support Grant	(993)	(993)	0
National Non-Domestic Rates	(7,131)	(7,131)	0
Other Grants	(724)	(1,469)	(745)
Collection Fund Deficit (Council's share)	6	6	0
Business Growth Incentive Grant	<u>0</u>	<u>(262)</u>	<u>(262)</u>
Total Income	(17,920)	(18,927)	(1,007)

### 3. Council Tax

3.1 In respect of the Council Tax set for 2008/09, the following analysis details how the Average Band D Council Tax for this area was made up.

	Average Band D Council Tax	Percentage Relating to each Body	Average for Shire districts Comparison	Percentage Relating to each Body
Authority	£	%	£	%
Mid Beds.	109.23	7	157.80	11
Town / Parish – Average	71.29	5	29.65	2
Bedfordshire County Council	1,123.47	74	1,045.10	73
Bedfordshire Police Authority	135.28	9	151.89	11
Bedfordshire and Luton Combined Fire Authority	<u>78.84</u>	<u>5</u>	<u>39.04</u>	<u>3</u>
Total	<u>1,518.11</u>	<u>100.0</u>	<u>1,423.48</u>	<u>100.0</u>
Source: CIPFA Statistics				

3.2 Comparative Council Tax levels for District Council services (per CIPFA statistics) show that the Council maintained a Council Tax requirement below the national average for District services.

### 4. Investment Income

This represents the income earned from investing the Council's revenue and capital funds in accordance with the approved Investment Strategy for the authority.

### 5. General Fund Working Balance / Earmarked Reserves

At 31 March 2009 the working balance on the General Fund stood at £3.1m and the balance on Earmarked Reserves was £5.8m.

### 6. Pensions

The deficit on the pension fund, for FRS 17 reporting purposes, stood at around £19.4m at 31 March 2009, compared with a deficit of around £12.6m at 31 March 2008. Full details can be found in note 16, page 27.

### 7. Capital Expenditure and Resources

7.1 During the year the Council spent £8,135,756 on capital projects including expenditure on Social Housing Grant Schemes.

7.2 With the Council being debt-free, it is permitted to use those receipts it would normally have to set aside for the repayment of debt. The Central Bedfordshire Council Executive in July 2009 approved the set aside of £23 million of Mid Beds usable capital receipts in order to optimise the opening Capital Financing Requirement and Minimum Revenue Provision position of the new authority. Consequently, at 31 March 2009 the balance of usable capital receipts that were available to finance capital expenditure was £28.8m.

## 8. Borrowing

The Council did not undertake any long-term borrowing during the year. The Council has an overdraft facility of £0.5m to cover any temporary cash shortfalls that may occur during the year.

## 9. Investments

As at 31 March 2009 the Council had investments amounting to over £33m, that were managed as follows:

<u>External Fund Managers</u>	£'000
Investec Asset Management Ltd	5,675
Lime Property trust	<u>4,374</u>
	10,049
Internally Managed	<u>23,508</u>
	<u>33,557</u>

These amounts are surplus revenue and capital funds, which are invested in accordance with the approved investment strategy for the authority and generate significant investment income that supports keeping the Council Tax levied by the Council at a low level.

## 10. Overall Financial Position - Summary

The Council's financial position remained stable and there are sufficient reserves available to ensure all known liabilities arising from the authority of Mid Beds in the new Central Bedfordshire Council and potential contingencies can be covered without significant impact on local taxpayers.

## 11. Further Information

Further information on these accounts can be obtained by contacting Matt Bowmer at Priory House, Monks Walk, Chicksands, Shefford, SG17 5TQ. He can be contacted by telephone on 0300 300 8000, or via e-mail [matt.bowmer@centralbedfordshire.gov.uk](mailto:matt.bowmer@centralbedfordshire.gov.uk).

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. For the 2008/2009 accounts, the inspection period was 27 July to 21 August 2009 and the dates were advertised in the local press.

## 12. Certification of Responsible Finance Officer

I hereby certify that the statement of accounts present fairly the financial position of the Authority at the accounting date and its income and expenditure for the financial year ending 31 March 2009.

**Clive Heaphy, CPFA**

Director of Corporate Resources

Authorised for issue on 22 July 2009

## **STATEMENT OF ACCOUNTING POLICIES**

### **1. General**

- 1.1 The accounts have been prepared in accordance with the latest Code of Practice on Local Authority Accounting 2008, in the United Kingdom: A Statement of Recommended Practice, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.2 Mid Beds was replaced by Central Bedfordshire Council unitary authority on 1<sup>st</sup> April 2009. All services, assets and liabilities transferred into the newly established unitary authority. The accounts have been prepared on a going concern basis, and the income and expenditure account and balance sheet assume that all services will continue for the foreseeable future.

### **2 Accruals of Income and Expenditure**

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

- (a) Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services. However as a result of the LGR process and the discontinuing of Mid Beds operations at 31 March 2009, the first quarter of 2009/10 rental income from property which would have ordinarily been accounted for in 2008/09 accounts has been accounted for in 2009/10 by Central Bedfordshire Council.
- (b) Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- (c) Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest date for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- (d) Where income and expenditure has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **3. Reserves**

- 3.1 The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.
- 3.2 Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent

usable resources for the Council – these reserves are explained in the relevant policies below.

#### **4. Government Grants and Contributions (Revenue)**

- 4.1 Whether paid on account, by instalments, or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.
- 4.2 Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general revenue expenditure (e.g. Revenue Support Grant, Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### **5. Retirement Benefits**

- 5.1 Employees of the Council have the opportunity to become members of the Local Government Pension Scheme administered by Bedfordshire County Council. The scheme provides defined benefits to members.
- 5.2 The liabilities of the scheme attributable to the Council are included in the Balance Sheet on actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates employee turnover rates, etc, and projections of projected earnings for current employees.
- 5.3 Liabilities are discounted to their value at current prices, using a discount rate of 3.3%
- 5.4 The assets of the pension fund attributable to the council are included in the Balance sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- 5.5 The change in the net pensions liability is analysed into seven components:
  - (a) Current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - (b) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - (c) Interest cost – the expected increase in the present value of

liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

- (d) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- (e) Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service of accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

## 6. Tangible Fixed Assets

6.1 Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### 6.2 Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

### 6.3 Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet, using the following measurement bases:

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Chartered Surveyors (RICS).

	Basis of valuation	Depreciation	Asset Lives
Other land and buildings	Open market value for existing use or depreciated replacement cost	Straight line	15-50 years
Vehicles plant and equipment	Historical cost	Straight line	3-10 years
Non operational assets	Open market value	N/A	N/A
Infrastructure	Historical Cost	Straight Line	14-30 years

Revaluation of these assets is on a quinquennial basis undertaken on a rolling programme, including revaluations as required if the Council becomes aware of factors indicating a change in valuation. Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset.

Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value but as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

#### 6.4 **Impairment**

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Where attributable to a general decline in prices - the loss is recognised in the Revaluation Reserve but only to the extent that this loss reverses gains attributable to the asset now being impaired. Where the impairment recognised exceeds the balance of revaluation gains attributable to the asset now being impaired, historical gains are removed from the revaluation reserve and the excess of impairment over historical gains is recognised in the Income and Expenditure Account for the year of account.

#### 6.5 **Disposals**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Amounts in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the usable Capital Receipts Reserve and can then be used in accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 for new capital investment, or to set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

## **6.6 Depreciation**

Depreciation is provided for on all assets with a determinable finite life, except for investment properties, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property, as estimated by an authorised valuer
- Vehicles, plant and equipment and Infrastructure – straight line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Community assets and non operational assets – no depreciation is provided on these classes of assets.

## **Grants and Contributions**

6.7 Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the government grants deferred account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## **7 Charges to Revenue for Fixed Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations.

## **8. Revenue Expenditure Funded from Capital under Statute**

8.1 Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

## **9. Capital Receipts**

9.1 Local Authorities are required by the Local Government and Housing Act 1989 to split capital receipts (from the sale of assets), between two accounts:



- (a) Usable Capital Receipts, which can be used to finance capital expenditure.
- (b) Capital Adjustment Account, which can be used to set aside receipts to finance capital investment.

9.2 The Council has been debt-free since 1994; and so it can effectively use both of the above accounts to fund Capital Expenditure.

## **10. Debtors and Creditors**

10.1 The accounts are prepared on an accruals basis, in accordance with the Accounting Code of Practice. Sums due to or from the Council relating to the accounting period are included whether or not the cash has actually been received or paid in the year. The sums are reflected in the debtors and creditors held on the Balance Sheet at the year-end.

10.2 An exception to the principle above relates to charges from utility companies (and other periodic payments), or income charged or credited to the accounts when paid or received rather than being apportioned between financial years. This policy is consistently applied each year and thus does not have a material impact on the accounts.

## **11. Provision for Bad Debts**

11.1 Provisions are made for possible irrecoverable debts, which are reviewed annually, and are adjusted according to the age profile of the debts.

## **12. Stocks and Stores**

12.1 These are valued at current cost price and stocks relate to postages. Minor stocks, e.g. stationery, are excluded from the valuation.

## **13. Support Service Allocations**

13.1 In accordance with the principles of Best Value Accounting Code of Practice, the Council's support services are fully allocated to all services. Allocations have been made on the most appropriate basis, e.g. administrative buildings on the basis of floor area occupied, computing services on the basis of use of facilities, personnel services on the number of staff employed and legal services on time estimates, etc.

13.2 The cost of Democratic Representation and Management and Corporate Management have been maintained separately in the Council's General Fund accounts, and are not allocated further in accordance with the Best Value Accounting Code of Practice.

## **14. Pension Costs**

14.1 The pension costs shown in the income and expenditure account are in respect of the Council's employees, as calculated for FRS 17 purposes, with the actual pension costs shown in the Statement of Movement on the General Fund Balance.

14.2 The employer's contribution rates have been determined in accordance with the relevant Government Regulations by a professionally qualified

actuary, based on the valuation on 31 October 2007, for the year ended 31 March 2009.

## **15. Financial Assets**

15.1 Financial Assets are classified into two types:

loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **15.2 Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are debited/credited to the Income and Expenditure Account.

### **15.3 Available for sale assets**

Investments are measured at Fair Value, and movements are taken to the Available for Sale Investment Reserve, and transferred to the Income and Expenditure account on disposal. Any unrealised gains/losses are to be accounted for in the Available for Sale Investment Reserve, and taken to the Income and Expenditure Account on disposal. Realised gains and losses are taken directly to the Income and Expenditure Account, or capital receipts if relating to capital investment.

Investments are shown in the Balance Sheet at fair value as at 31 March 2009. Investec and the Lime Fund's fair values are determined by quoted market price. Internal investments are included in the Balance Sheet at the aggregated principal values invested with each institution. Details can be seen in the notes to the Balance Sheet on page 36.

## **16. Interest**

16.1 Interest paid and received is fully accrued, and is charged and credited centrally.

16.2 The balances of all the Council's accounts are amalgamated and invested on a daily basis and credited to small balances with the majority

credited to the General Fund.

## **17. Leases**

17.1 The Council has entered into a number of leases mainly for vehicles and equipment. These are all operating leases, whereby the lease rentals are charged to the appropriate service in the Income and Expenditure Account when the expenditure is incurred, on an accruals basis.

## **18. Best Value Accounting**

18.1 In preparing the Income and Expenditure Account for 2008/09, the Authority has used the classification prescribed in the Best Value Accounting Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## **19. Financial Reporting Standard 17 (FRS 17)**

19.1 In accordance with statutory requirements, the Statement of Accounts makes disclosures in relation to assessed pension fund liabilities (FRS 17). These are reflected on page 26 (note 15).

19.2 The deficit on the pension reserve at the 31 March 2009 was £19.4m, with the total net worth of the organisation being £50.6m. Therefore, the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 27.7%. (16.2% in 2007/08).

## **20. Contingent Assets and Liabilities**

20.1 The Council has two contingent Assets to disclose in respect of two voluntary disclosures of VAT overpaid.

20.2 The first disclosure relates to VAT overpaid on leisure income during the period 1 January 1990 to 31 March 1994 and amounts to £278,832. The second disclosure relates to VAT overpaid on sports courses during the period 1 January 1978 to 31 December 1989 and amounts to £14,368.

Whilst the amounts of these disclosures are known, as at 31 March 2009, the likelihood, and value, of the amounts being repaid by HMRC is uncertain.

## **21. Prior Period Adjustments**

21.1 There were no prior period adjustments.

## **22. Provisions**

22.1

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

22.2 Provisions are charged to the appropriate service revenue account in

the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

22.3 Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

## **23. VAT**

23.1 Income and expenditure excludes any amounts related to VAT, except where this is considered to be irrecoverable. All VAT collected is payable to HM Revenue and Customs, and VAT paid is (in the majority of circumstances) recoverable from them.

## **24. Overheads and Support Services**

### **24.1**

The costs of overheads and support services are charged to those services that benefit from the supply or service, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between services in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two costs are accounted for as separate headings in the Income and Expenditure Account as part of net cost of services.

## INCOME AND EXPENDITURE ACCOUNT

2007/08 Net Expenditure £000s	Discontinued Services/Operations	2008/09 Gross Expenditure £000s	2008/09 Gross Income £000s	2008/09 Net Expenditure £000s	Notes - see Page 16
	<u>Central Services to the Public</u>				
2,682	Corporate and Democratic Core	3,764	(192)	3,572	5
1,478	Local Tax Collection	8,746	(6,877)	1,869	5
412	Elections	399	(5)	394	5
362	Other Services	884	(195)	689	5
<b>4,934</b>	<b>Total</b>	<b>13,793</b>	<b>(7,269)</b>	<b>6,524</b>	
	<u>Cultural, Environmental and Planning Services</u>				
1,712	Cultural and Related Services	2,572	(1,342)	1,230	5
5,567	Environmental Services	8,022	(791)	7,231	5
3,416	Planning and Development Services	5,837	(1,446)	4,391	5
<b>10,695</b>	<b>Total</b>	<b>16,431</b>	<b>(3,579)</b>	<b>12,852</b>	
813	Highways, Roads and Transport Services	940	(1)	<b>939</b>	
	Housing Services	22,847	(20,316)	<b>2,531</b>	5,6
2,313	Housing General Fund				
0	LGR Transitional Costs			549	2
<b>18,755</b>	<b>Net Cost of Services</b>			<b>23,395</b>	7
	(Gain)/Loss on the disposal of fixed assets			232	
124	Parish Council Precepts			3,585	9
3,439	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services			540	8
(201)	Contribution of Housing Capital Receipts to Government Pool			28	
32	Interest and Investment income			(3,064)	10
(3,584)	Management Fees			59	10
60	BCCI Receipt			(30)	
(27)	Pensions interest cost and expected return on pensions assets			956	15
435	Miscellaneous Adjustments			(7)	12
7					
<b>19,040</b>	<b>Net Operating Expenditure</b>			<b>25,694</b>	
(8,626)	Demand on the Collection Fund			(9,078)	
(64)	Transfer to the collection fund			6	
(2,402)	General Government Grants			(1,731)	28
(6,641)	Non-domestic rates redistribution			(7,131)	
<b>1,307</b>	<b>Deficit for the year</b>			<b>7,760</b>	

As this is the last year of operation as Mid Beds District Council, all income and expenditure is shown as discontinued services/operations

## STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2007/08 £000s		2008/09 £000s
1,307	Deficit for the year on the income and expenditure account	7,760
(3,913)	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year.	(6,271)
<b>(2,606)</b>	<b>Increase in General Fund Balance for the Year</b>	<b>1,489</b>
(2,000)	General Fund Balance Brought forward	(4,606)
(4,606)	General Fund Balance Carried Forward	(3,117)

**NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE  
GENERAL FUND**

2007/08 £000s		2008/09 £000s
<b>(3,913)</b>	<b>Net additional amount required to be credited to the general fund balance for the year</b>	<b>(6,271)</b>
	Comprising	
<b>(5,037)</b>	<b>Amounts included in the Income and Expenditure account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.</b>	<b>(9,061)</b>
(1,320)	Depreciation and impairment of fixed assets	(4,228)
71	Government Grants Deferred amortisation	92
(1,781)	Write down of revenue expenditure funded from Capital Under Statute	(2,276)
(124)	Net loss on sale of fixed assets	(226)
(1,883)	Net charges made for retirement benefits in accordance with FRS 17.	(2,423)
<b>1,386</b>	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>	<b>1,456</b>
0	Capital expenditure charged in year to General Fund Balance	0
(32)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool.	(28)
1,418	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners.	1,484
<b>(262)</b>	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for year</b>	<b>1,334</b>
(262)	Net transfer to/(from) earmarked reserves	1,334

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

2007/08 £000s		2008/09 £000s
1,307	(Surplus)/Deficit for the year on the Income and Expenditure A/c	7,760
(2,557)	(Surplus)/Deficit arising on revaluation of fixed assets	118
(109)	(Surplus)/Deficit on revaluation of Available-for-Sale Financial Assets	743
(7,697)	Actuarial (Gains)/Losses on pension fund assets and liabilities	5,950
267	Collection Fund (Gain)/Loss	120
<b>(8,789)</b>	<b>Total Recognised (Gains)/Losses for the year</b>	<b>14,691</b>

## BALANCE SHEET AS AT 31 MARCH 2009

31 March 2008 £000		31 March 2009 £000	Notes - see Page 36
	<b>Fixed Assets</b>		
0	Intangible Assets	0	3
	Tangible Assets		
	Operational Assets		
15,825	Other Land & Buildings	13,295	1
2,197	Vehicles, Plant & Equipment	2,676	1
349	Infrastructure Assets	438	1
	Non Operational Assets		
4,600	Investment Properties	2,755	1
0	Assets under Construction	3,741	
22,971		22,905	
15,187	<b>Long Term Investments</b>	4,374	11
	<b>Long Term Debtors</b>		
131	Mortgages	83	8
270	Other	696	8
401		779	
<b>38,559</b>	<b>Total Long Term Assets</b>	<b>28,058</b>	
	<b>Current Assets</b>		
44	Stocks	2	9
7,722	Debtors	19,342	10
34,033	Investments	29,183	11
2,557	Cash and Bank	5,323	
82,915		81,908	
	<b>Current Liabilities</b>		
(3,408)	Creditors	(9,938)	12
(237)	Government Grants - Deferred	(332)	13
(1,391)	Contributions Deferred Account	(1,583)	
(12,642)	Pension Fund Liability	(19,429)	
<b>65,237</b>	<b>Total Assets Less Current Liabilities</b>	<b>50,626</b>	
	<b>Balances and Reserves</b>		
2,317	Revaluation Reserve	1,594	14
109	Available for Sale Reserve	(633)	14
7,565	Capital Adjustment Account	31,212	14
115	Deferred Capital Receipts	61	14
58,458	Useable Capital Receipts Reserve	28,790	14
4,485	Earmarked Reserves	5,810	14
(12,642)	Pension Reserve	(19,429)	14
4,606	Balances - General Fund	3,117	14
224	- Collection Fund	104	14
<b>65,237</b>	<b>Total Net Worth</b>	<b>50,626</b>	

## CASH FLOW STATEMENT

2007/08 £'000	ACCOUNTING STATEMENT	2008/09 £'000	2008/09 £'000
	<b><u>Revenue Activities</u></b>		
	Cash Outflows		
(10,633)	Employees	(12,536)	
(16,107)	Housing Benefit	(18,223)	
(30,225)	NNDR Payments to national Pool	(31,729)	
(66,896)	Precepts paid	(70,850)	
(11,808)	Other Operating Cash Payments	(16,014)	
(135,669)		(149,352)	
	Cash Inflows		
66,476	Council Tax Receipts	70,046	
28,233	Non-Domestic Rate	29,395	
1,115	Revenue Support Grant	993	
6,641	Non-Domestic Rate Pool	7,131	
22,592	DWP Benefit Grants	26,009	
635	Other Government Grants	1,389	
4,492	Cash received for Goods and Services	4,795	
130,184		139,758	
(5,485)	Net Revenue Cash Inflow/(Outflow)		(9,594)
	<b><u>Returns on Investments and Servicing of Finance</u></b>		
	Cash Inflows		
2,108	Interest Received		3,573
	<b><u>Capital Activities</u></b>		
	Cash Outflows		
(516)	Purchase of Fixed Assets	(5,420)	
(2,437)	Other capital cash payments	(2,815)	
(2,953)		(8,235)	
	Cash Inflows		
15	Sale of Fixed Assets	815	
648	Capital Grants Received	1,057	
88	Other Capital Cash Receipts	(104)	
751		1,768	(6,467)
(5,579)	Net Cash Inflow/(outflow) before Financing		(12,488)
	<b><u>Management of Liquid Resources</u></b>		
(15,498)	Net (increase)/decrease in investments		15,254
(21,077)	Increase / (Decrease) in Cash		2,766



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Local Government Reorganisation (LGR)

#### 1.1 **Discontinued Operations/Services**

As this is the last year of operation of Mid Beds as a result of Local Government Reorganisation, all income and expenditure is shown in the Income and Expenditure Account as Discontinued Operations / Services.

1.2 This expenditure has been incurred in 2008/09 and is accounted for in the accounts of each council.

### 2. **Exceptional items**

2.1 Exceptional items are material items within Mid Beds overall expenditure, not expected to recur frequently or regularly that need to be disclosed on the face of the accounts.

2.2 This year two items in respect of Local Government Reorganisation have been treated as exceptional items

#### **2.2.1 Local Government Reorganisation Transition Costs- Implementation of Central Bedfordshire Council**

During 2008/09, the following transition costs were incurred in total in respect of the implementation of the new Central Bedfordshire Council

<b>Expenditure</b>	<b>2008/09 £000</b>
Employee Costs	6,096
Premises	24
Transport	12
Supplies and Services	<u>5,994</u>
<b>Total Expenditure</b>	<b><u>12,126</u></b>
Total Income - Grants	<u>(388)</u>
<b>Total Transition Costs</b>	<b><u>11,738</u></b>

In accordance with the Bedfordshire (Structural Changes) Order 2008, these costs have been apportioned to the three demised authorities that have formed the new council - Mid Bedfordshire District Council, South Bedfordshire District Council and Bedfordshire County Council. These authorities' 2008/09 precepts on the Central Bedfordshire area have been used as the basis of apportionment as shown below:

Authority	2008/09 Precept £m	%	2008/09 Apportionment £000
Mid Bedfordshire DC	5.493	4.7	549
South Bedfordshire DC	6.864	5.8	686
Bedfordshire CC	<u>105.120</u>	<u>89.5</u>	<u>10,503</u>
Totals	<u>117.477</u>	<u>100.00</u>	<u>11,738</u>

Assets to the value of £3.741 million were purchased and financed by Mid Bedfordshire District Council in preparation for the formation of Central Bedfordshire Council. These are included in the Mid Bedfordshire District Council's accounts as Assets Under Construction.

### 2.2.2 LGR Severance Costs

2.2.2 The financial impact of all severance and redundancy costs relating to LGR have been included in the 2008/09 accounts, as the decisions on redundancy and severance had been made prior to 31 March 2009. The severance costs include the cost of redundancy payments and the actuarial costs to be paid over to the Pension Fund by Central Bedfordshire Council. Redundancy costs have initially been funded by the authority employing the relevant staff and have subsequently been 'pooled' into the allocation to authorities referred to above.

## 3. Income And Expenditure Account

3.1 This account summarises the resources that have been applied and generated in providing services and managing the Council during the last year. It includes all day-to-day expenses on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real value of retirement benefits earned by the employees in the year.

## 4. Statement of Movement on the General Fund

4.1 The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

- 4.2 The General Fund Balance discloses whether the Council has over or under spent, against the Council Tax raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for anticipated expenditure.
- 4.3 This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

## 5. Explanation of Services

- 5.1 The main services included within each section are: -

Corporate and Democratic Core	- Democratic Representation and Management, Corporate Management, Treasury Management and External Audit
Central Services to the Public	- Council Tax Collection, Business Rates Collection and Council Tax Benefits Administration, Parliamentary, District, Parish and County Elections, Registration of Electors, Emergency Planning, Local Land Charges and General Grants, Bequests and Donations.
Unallocated Central Overheads	- Pension Fund deficiency and additional contributions and overheads costs that have not been re-allocated.
Cultural & Related Services	- Arts Development, Community Parks & Open Spaces, Saxon Pool, Joint Facilities and Sports Development.
Environmental Services	- Closed Churchyards, Housing Standards, Public Conveniences, Cesspool Emptying, Contributions to Sewerage Schemes, Pest Control, Pollution Reduction, Dog Warden, Food Safety, Animal Welfare, Health Education, Community Safety, Licensing, External Health & Safety, Land Drainage, Street Cleansing, Household Waste Collection, Recycling, Emergency Planning, and Home Repair Assistance Grants.

Planning and Development Services -	- Regulations, Dangerous Structures, Street Naming, Development Control, Development Enforcement, Footpath Diversions, Planning Policy, Grants, Individual Environmental Projects, Drainage, Bury Farm Stotfold, Special Projects, Mid Beds Community House, Century House Biggleswade and Community Development.
Highways, Roads and Transport Services	- Off-Street Parking and Concessionary Bus Fares
Housing General Fund	- Strategic Housing, Housing Advances, Homelessness, Housing Benefits Payments and Administration.
Trading Operations	- Biggleswade Acorn Centre, Brookes Rd Flitwick, Queens Rd Ampthill and Arc Progress (Beckerings Park Farm and Bury Farm).

## 6. Housing Services

6.1 Income and expenditure shown in the Housing General Fund (continuing activities) is analysed further below: -

2007/08 Net Expend. £000		2008/09 Gross Expend £000	2008/09 Income £000	2008/09 Net Expend. £000
839	Strategic Housing (i.)	691	(10)	681
367	Homelessness	443	(7)	436
686	Environmental Health – Housing	1960	(518)	1,442
188	Housing Benefit Payments	18579	(18,761)	182
405	Housing Benefit Administration	1174	(623)	551
<u>(172)</u>	Earmarked Reserves	<u>0</u>	<u>(397)</u>	<u>(397)</u>
<u>2,313</u>		<u>22,847</u>	<u>(20,316)</u>	<u>2,531</u>

(i) Deferred charge write-offs were around £90,000 in 2008/09, compared to £499,707 in 2007/08.

## 6.2 Council Tax and Housing Benefit Subsidy

Mid Beds pays out around £5.5m for Council Tax Benefit and £16.5m for Housing Benefit, and then receives subsidy from the Department of Works and Pension (DWP) to reimburse most of the cost.

However there is a timing issue in that the Council's accounts are externally audited and signed off by the 30 September, and notification of the actual amount to be reimbursed to/from the DWP is not officially confirmed until after this date.

It is estimated that around £60k is due to be repaid to the DWP for the 2008/09 financial year and this amount has been included as a creditor within the accounts.

## 7. Net Cost of Services

7.1 This represents the total of all revenue service activities carried out by the authority.

## 8. Trading Operations

8.1 The Council owns and manages freehold interests in the following:

The Acorn Centre at Biggleswade, which comprises of business units, let on licence.

8.2 The Council also manages Arc Progress, Beckerings Park Farm, and Arc Progress Stotfold (Bury Farm), comprising leased office units. Queens Rd, Ampthill and Brookes Rd, Flitwick were both sold on 31<sup>st</sup> March 2009.

## INCOME FROM LETTINGS

2007/2008 £000		2008/2009 £000
	<b>Biggleswade Acorn Centre</b>	
(122)	Income	(88)
<u>69</u>	Expenditure	<u>298</u>
(53)	Net (Surplus)/deficit	<u>210</u>
	<b>Brookes Rd, Flitwick</b>	
(43)	Income	(33)
<u>18</u>	Expenditure	<u>4</u>
(25)	Net (Surplus)/deficit	<u>(29)</u>
	<b>Queens Rd, Ampthill</b>	
(4)	Income	(3)
<u>8</u>	Expenditure	<u>2</u>
4	Net (Surplus)/deficit	<u>(1)</u>
	<b>Arc Progress (Beckerings Park Farm)</b>	
(129)	Income	(68)
<u>102</u>	Expenditure	<u>149</u>
(27)	Net (Surplus)/deficit	<u>81</u>
	<b>Arc Progress (Bury Farm)</b>	
(124)	Income	(90)
<u>24</u>	Expenditure	<u>369</u>
(100)	Net (Surplus)/deficit	<u>279</u>
(422)	Total Income	(282)
<u>221</u>	Total Expenditure	<u>822</u>
<u>(201)</u>	<b>Total Net (Surplus)/deficit</b>	<u>540</u>

There was a reduction in 2008/09 income of approximately £80K resulting from a change in accounting treatment explained in note 2 in the Statement of Accounting Policies.

The deficit in 2008/09 is a result of impairment costs on rental properties amounting to £604k.

### 9. Parish Precepts

9.1 There are 55 Town and Parish Councils, which have the power to make a precept on the Council to meet their expenditure. For 2008/09, precepts ranged from £0 to £582,235.

### 10. Net Interest and Investment Income

10.1 Interest is shown gross in the Income and Expenditure Account. (£3,064k). Management Fees were £59k, therefore the net interest was (£3,005k)

## 11. Contributions to/(from) Earmarked Reserves

11.1 Detailed transactions for contributions to and from earmarked reserves can be seen on page 50.

## 12. Miscellaneous Adjustments

12.1 A regular review takes place on all items contained within the balance sheet, to ensure all balances held there are still applicable, and where appropriate adjustments may be made within the Income and Expenditure Account. For the 2008/09 financial year the net adjustment totalled around (£7k).

## 13. Section 137 of the Local Government Act 1972

13.1 Section 137 empowers a Local Authority, subject to various conditions and limits, to incur expenditure, which in its opinion is in the interest of its area or any part of it, or all or some of its inhabitants. Under this section Local Authorities are required to account separately for any such expenditure.

13.2 The expenditure incurred was £183,000 (2007/08 £173,708) on grants to various organisations.

## 14. Publicity Expenditure

14.1 Set out below, under the requirements of section 5(1) of the Local Government Act 1986, is the Council's spending on publicity:

<u>2007/2008</u>		<u>2008/2009</u>
£		£
111,351	Recruitment Advertising	25,572
46,954	Other Advertising	217,318
<u>248,353</u>	Other Publicity	<u>243,817</u>
<u>406,658</u>	Total	<u>486,707</u>

## 15. Accounting for Pension Costs - FRS 17

15.1 The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered in accordance with the LGPS regulations 1997, and it is contracted out of the State second pension scheme.

15.2 To comply with the latest accounting requirements arising from FRS 17 there are additional accounting entries that impact on the Income and Expenditure Account and Statement of Movement in the General Fund Balance for the 2008/09 financial year.

15.3 A summary of the entries, and where they are included within the Income and Expenditure Account is shown below. The overall financial impact on the Income and Expenditure Account is:

Central Services – Other Services	
This contains:	<b>£M.</b>
Settlements and Curtailments	0
Past Service Costs	0.418

Current Service Costs (Allocated across all Direct Services).	1.049
Pension Interest Cost and expected return on assets (net)	<u>0.956</u>
Total of Expenditure Items	<u>2.423</u>

Entries included within the Statement of Movement on The General Fund Balance are as follows:

Reversal of net charges made for retirement benefits in accordance with FRS 17	<u>(2.423)</u>
--	----------------

## 16. Pensions

16.1 In 2008/09 the Council paid an employer's contribution of approximately £1,254,952 representing 16% of employees' pensionable pay into the Bedfordshire County Council Superannuation Fund, which provides members with defined benefits related to pay and service. The contribution rates are agreed with the Fund's actuary, based upon a full valuation that is carried out every 3 years. The Local Government Pension Scheme (LGPS) is a defined benefit scheme. The last valuation was based on the scheme as at 31st October 2007. Based upon the previous valuation as at 31<sup>st</sup> October 2004, the contribution rates for the subsequent three year period were:

2005/06:	228%	of employees' contribution
2006/07:	247%	"
2007/08:	267%	"

16.2 Until the 2007/08 financial year employees paid a contribution of 6% of their salary to the Superannuation Fund. From 2008/09, following changes to the pension scheme from the 1 April 2008, employees' contributions became variable, depending on salary.

In 2008/09, the Council contributed around £229,431 (representing 2.9% of employee's pensionable pay) (2007/08 £217,341), a 5.6% increase in respect of the cost of added years awarded prior to 2008/09.

16.3 Past Service cost arose due to retrospective changes to member benefits that came into effect on 1 April 2008, as follows:

£313,000 in respect of the extension of the death grant upon death after retirement to 10 times the pension less the total pension payments already paid.

£105,000 in respect of the extension of the eligibility criteria for dependant's pension upon death to include a nominated cohabitee.

16.4 Curtailments arise from early payment of accrued pensions in respect of redundancies. In 2008/09, no employees retired prematurely on redundancy grounds before attaining their Rule of 85 age.

16.5 The Actuary was not aware of any liabilities being settled at a cost materially different to the FRS 17 reserve during the year ended 31st March 2009.



- 16.6 The expected return on Employer assets in the year to 31 March 2009 was £2.9m (£3.1m in 2007/08) and the Pension Interest cost was £3.9m (£3.5m in 2007/08).
- 16.7 Further information can be found in the Bedfordshire County Council's Superannuation Fund Annual Report, which is available upon request from Bedford Borough Council, Borough Hall, Bedfordshire, MK42 9AP.

## 17. Accounting for Pension Costs (FRS 17)

- 17.1 The following information has been provided by the Actuary in relation to the disclosures required for Pension Fund Liabilities, in accordance with FRS 17.
- 17.2 The figures disclosed below have been derived by suitable approximate methods from the full actuarial valuation of the Fund carried out by Hyman Robertson as at 31 March 2009, for the purposes of FRS 17.
- 17.3 Employees of Mid Bedfordshire District Council are admitted to the Bedfordshire Pension Fund ("The Fund"), administered by Bedfordshire County Council under the Regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.
- 17.4 Financial assumptions used for the purpose of FRS 17 calculations as at 31 March 2009 are shown below.

	31/03/2008 % pa	31/03/2009 % pa
Price Increases	3.6%	3.1%
Discount Rate	6.9%	6.9%
Expected Return on Assets	6.7%	6.7%
Expected rate of salary increases	6.0%	5.1%
Rate of Pension Increases	3.6%	3.6%

- 17.5 The inflation assumption, (price increases), has been derived by considering the difference in the gross redemption yields of traditional and index-linked gilt-edged Securities as at 31 March 2009. Salary increases are assumed to be 1.60% pa more than price increases, in line with the assumptions used in the latest formal valuation of the fund.
- 17.6 The actuary assumes that the employer prepares its accounts in accordance with guidance from CIPFA. Therefore, the discount rate employed for the 2008/09 financial year is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iboxx sterling Corporates Index, AA over 15 years), at the FRS 17 valuation date.
- 17.7 Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non-pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

#### 17.8 Changes in Accounting Policy

Under the 2008 SORP the council has adopted the amendments to FRS 17, Retirement benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is not material, therefore the value of scheme assets at 31 March 2009 have not been restated.

#### 17.9 Changes to the Local Government Pension Scheme

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2008 includes an allowance of 50% of future retirements to elect to take additional tax-free cash up to HRMC limits.

### 18. Fair Value of Fund Assets and Expected Rate of Return

	As at 31/3/08		At 31/3/2009	
	Fair Value £m	Expected Rate of Return % pa	Fair Value £m	Expected Rate of Return % pa
Equities	24.5	7.7%	19.0	7.0%
Bonds	7.2	5.7%	7.4	5.6%
Property	4.3	5.7%	2.8	4.9%
Cash	7.6	4.8%	6.0	4.0%
<b>Total</b>	<b>43.6</b>		<b>35.2</b>	

18.1 The deficit in the fund at 31<sup>st</sup> March 2009 was (£19.2m), compared to a figure of (£12.6m) at 31 March 2008, which is an increase in the deficit of around £6.6m (52.3%).

18.2 In assessing liabilities for retirement benefits at 31 March 2008 for the 2007/08 Statement of Accounts, the actuary assumed a discount rate of 3.2% real (6.9 % actual), a rate based on current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2008/09 Statement of Accounts, the actuary has advised that a rate of 3.8% real (6.9% actual) is appropriate. Application of this rate has resulted in a decrease in liabilities measured at today's prices of £11,363m, adjusted for by an actuarial gain recognised for the year in the Statement of Recognised Gains and Losses.

18.3 The figures have been supplied by the actuaries, to the Trustees of the Local Government Scheme, using a range of actuarial assumptions that are acceptable under the requirements of FRS 17, particularly in respect of the expected return on equities. The actuary considers that these assumptions are within the acceptable range

and that these are consistent with the requirements of FRS 17. The assumed returns are net of administration and investment expenses. No allowance has been included in the cost of accruing benefits for expenses.

## 19. Pension Reserve

19.1 This reserve represents the deficit in the pension fund, as required by the new reporting standard FRS 17.

	2004/05 £m	2005/06 £m	2006/07 Restated £m	2007/08 Restated £m	2008/09 £m
<b>Analysis of amounts recognised in the Statement of Reserves:</b>					
Pension Fund assets	34.5	41.8	45.4	43.6	35.2
Pension Fund liabilities	(52,8)	(66.2)	(65.3)	(56.2)	(54.7)
Pension Fund deficit recognised in the Statement of Reserves before adjustment for tax.	(18.3)	(24.4)	(19.9)	(12.6)	(19.4)

### a) Components of Defined Benefit Cost

	£m
<b>Analysis of amounts charged to net cost of services:</b>	
a Current Service Cost	1,049
b Past Service Cost	<u>418</u>
c Total charged to net cost of services	<u>1,467</u>
<b>Analysis of other amounts charged to net cost of services:</b>	
d (Gain) / loss due to settlements and curtailments	<u>0</u>
e Net (gain) / loss charged to net cost of services	1,467
<b>Analysis of amounts credited to other finance income:</b>	
f Interest on Pension Scheme Liabilities	3,879
g Expected Return on Assets in the Pension Scheme	<u>(2,923)</u>
h Net charge / (debit) to other finance income	956
i Total revenue account before deduction for tax (c + e + h)	<u>2,423</u>
<b>Analysis of amounts recognised in Statement of Total Movement in Reserves (STMR)</b>	
j (Gain) / loss on assets*	(5)
k Experience (gain) / loss on liabilities	<u>11</u>
m Total (gain) / loss on recognised in STMR before adjustment for tax	<u>6</u>

## b) History of Experience Gains and Losses

	2004/05		2005/06		2006/07		2007/08 Restated		2008/09	
	£'m	%	£'m	%	£'m	%	£'m	%	£'m	%
Differences between the expected and actual returns on assets	1.1	2.97	4.7	10.28	0.3	0.66	(3.4)	7.80	(5.4)	0.02
Differences between actuarial assumptions about liabilities and actual experience	(0.9)	1.62	(2.7)	3.85	0.9	1.37	1.8	3.14	0.21	0.4

## c) Reconciliation to the Balance Sheet

	01/04/2008 £m	31/03/2009 £m
Funded benefits under the LGPS regulation	(52.5)	(51.4)
Unfunded discretionary benefits awarded by means of additional benefits under the LGPS regulation	(3.7)	(3.2)
Actuarial Value of Fund liabilities	(56.2)	(54.6)
Market Value of Fund assets	43.6	35.2
Surplus (deficit) in the Fund	<u>(12.6)</u>	(19.4)

## Reconciliation of present value of the scheme liabilities

	31/03/2009 £(000)
Opening Defined Benefit Obligation	(56,231)
Current Service Cost	(1,049)
Interest Cost	(3,879)
Contribution by members	(578)
Actuarial Losses/(Gains)	5,413
Past Service Cost	(418)
Estimated Unfunded Benefits Paid	249
Estimated Benefits Paid	1,832
Closing Defined Benefit Obligation	(54,661)

## Reconciliation of fair value of the scheme liabilities

	<b>31/03/2009 £(000)</b>
Opening Fair Value of Employer Assets	43,589
Expected Return on Assets	2,923
Contribution by members	578
Contributions by the employer	1,337
Contributions in respect of Unfunded Benefits	249
Actuarial Gains/(Losses)	(11,363)
Unfunded Benefits Paid	(249)
Benefits Paid	(1,832)
Closing Fair Value of Employer Assets	35,232

## Analysis of the movement in surplus (deficit) in the Fund during the period

	<b>31/03/2009 £(000)</b>
Surplus/(Deficit) in the Fund at beginning of period	(12,642)
Contributions paid (including Unfunded)	1,586
Current Service Cost	(1,049)
Past Service Cost	(418)
Settlement/Curtailments	0
Net Return on Assets	(956)
Actuarial Gain/(loss)	<u>(5,950)</u>
Surplus/(Deficit) in the fund at end of period	<u>(19,429)</u>

### 20. Housing and Planning Delivery Grant

20.1 During 2008/09, the Council received Housing and Planning Delivery Grant of around £375k, which was credited to an earmarked reserve, and transferred to offset relevant expenditure as it was incurred. Around £122k (32.5%) of the grant is to be used specifically for capital purposes.

### 21. Operating Leases

21.1 The Council does not hold any operational lease obligations at 31 March 2009 for computer equipment.

21.2 The Council uses leased cars financed under the terms of operating leases. The rentals payable in 2008/09 amounted to £211,909 (2007/08, £233,985).

21.3 The Council also leases two properties, which it uses as Points of Presence that are situated in the East and West of the District. The

rentals payable in 2008/09, the first full year of operation, amounted to £17,630.

- 21.4 The Council was committed at 31 March 2009 to making payments of £158,925 under operating leases in 2009/10, comprising the following elements:

	<u>Other Land &amp; Buildings</u>	<u>Vehicles, Plant &amp; Equipment</u>
Leases expiring in:		
2009/10	£0	£0
2010/11 to 2013/14	£0	£149,167
After 2013/14	£9,758	£0

## 22. Employees' Remuneration

- 22.1 The number of employees whose total remuneration (excluding pension contributions but including gross taxable benefits) was £50,000 or more, in bands of £10,000 were as follows

<u>Remuneration between</u> £	<u>Number of Employees</u>	
	<u>2007/2008</u>	<u>2008/2009</u>
50,000 - 60,000	16	18
60,000 - 70,000	2	11
70,000 - 80,000	5	1
80,000 - 90,000	1	1
90,000 - 100,000	0	3
100,000 - 110,000	0	0
110,000 - 120,000	1	2
120,000 - 130,000	0	1
130,000 - 140,000	0	1
140,000 - 150,000	0	1
150,000 - 160,000	0	0
160,000 - 170,000	0	1
170,000 - 180,000	0	0
180,000 - 190,000	0	0
190,000 - 200,000	0	0
200,000 - 210,000	0	0
210,000 - 220,000	0	0
220,000 - 230,000	0	1
230,000 - 240,000	0	0
240,000 - 250,000	0	0
250,000 - 260,000	0	0
260,000 - 270,000	0	1

Remuneration includes salary, allowances chargeable to tax, redundancy payments and the monetary value of non-cashable benefits. A number of employees were made redundant during 2008/09 as a result of LGR and as a result the numbers in the above table has increased for 2008/09.

## 23. Members' Allowances

- 23.1 Members' allowances in 2008/09 paid by the Authority were £534,859 (2007/08 £417,282). This figure includes Special Responsibility Allowances paid to members of the Shadow Central Bedfordshire Council, in addition to their allowances in respect of Mid Beds.

## 24. Related Party Transactions

24.1 The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

During the year 2008/09 some members acted in a number of other capacities for related parties. Payments made to these related parties are as follows:

a grant payment of £21,000 to Harvey Cottages Trust;  
 a grant payment of £10,000 to Community and Voluntary Service Mid and North Beds;  
 a grant of £100,000 to Bedford Credit Union over 5 years;  
 a grant payment of £4,000 to Westoning Parish Council

24.2 The Authority maintains a register of Members interests, as required under section 81 of the Local Government Act 2000, and in addition, Members declare any personal or personal/prejudicial interests that they have in any agenda item considered at meetings (for which minutes are kept).

## 25. Building Regulations

25.1 Set out below is the account for the Building Regulations service for the financial year 2008/09. Around 30% of this account is apportioned to 'non chargeable' and around 70% is apportioned to 'Chargeable'.

Building Regulations Charging Account	Non-chargeable 2008/09	Chargeable 2008/09	Total 2008/09
<b>Expenditure</b>	<b>£</b>	<b>£</b>	<b>£</b>
Employee Expenses	84,095	196,220	280,315
Premises	23,873	55,705	79,578
Transport	6,917	16,141	23,058
Supplies and Services	4,632	10,808	15,440
Agency/Contracted	68	157	225
Support Services	<u>42,463</u>	<u>99,081</u>	<u>141,544</u>
<b>TOTAL EXPENDITURE</b>	<b><u>162,048</u></b>	<b><u>378,112</u></b>	<b><u>540,160</u></b>
<b>Income</b>			
Building Regulation Charges	<u>(137,324)</u>	<u>(320,424)</u>	<u>(457,748)</u>
<b>TOTAL INCOME</b>	<b><u>(137,324)</u></b>	<b><u>(320,424)</u></b>	<b><u>(457,748)</u></b>
(Surplus)/Deficit for Year	24,724	57,688	<u>82,412</u>
<b>Comparatives for 2007/08</b>			
Expenditure	<u>133,586</u>	<u>311,702</u>	<u>445,288</u>
Income	<u>(143,418)</u>	<u>(334,641)</u>	<u>(478,059)</u>
(Surplus)/Deficit for Year	<u>(9,832)</u>	<u>(22,939)</u>	<u>(32,771)</u>

## 26. External Audit Fees

In 2008/09, Mid Beds District Council incurred the following fees relating to external audit and inspection.

2007/08 £000		2008/09 £000
	<b>Expenditure</b>	
112	Fees payable with regard to external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998	126
22	Fees payable to the Audit Commission in respect of statutory inspection under section 10 of the Local Government Act 1999	7
47	Fees payable for certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998	31
0	Fees payable in respect of any other services provided by the appointed auditor over and above the duties described above	0
<b>181</b>	<b>Total</b>	<b>164</b>

## 27. Residual Housing Defects Grant

27.1 This Grant was originally received when the Council retained its Housing Stock, and credited to the Housing Revenue Account (HRA). The grant is actually paid one financial year in arrears.

27.2 The housing stock was transferred to Aragon Housing Association in the financial year 2001/02, with the HRA closing in the following financial year.

27.3 The 2008/09 accounts include the grant of around £9,608 due to be received in 2009/10.

## 28. General Government Grants

28.1 General Government grants include £262k for LABGI and £214k received from the Department of Transport.

## 29. Transport Act 2000

29.1 The Bedfordshire Concessionary Fares scheme is jointly funded by, South Bedfordshire District Council, Bedfordshire County Council and Mid Bedfordshire District Council. This scheme is in accordance with section 145 of the Transport Act 2000.

## 30. Change in Accounting Policy

30.1 There have been one additional change to the Accounting Policies adopted by the Council relating to the treatment of rental income on property other than those statutory amendments emanating from the revisions associated with the 2008 SORP and explained in detail in the Explanatory Foreword.



## Balance Sheet Notes

### 1. Movement of Tangible Fixed Assets 2008/2009

	Other Land and Buildings £000	Vehicles Plant and Equipment £000	Infrastructure £000	Non Operational £000	Total £000
Gross Value at 1 April 2008	18,862	7,340	652	4,600	31,454
Additions	249	1,213	107	11	1,580
Disposals	(56)	0	0	(985)	(1,041)
Revaluations	0	0	0	98	(871)
Impairments	(2,099)	0	0	(969)	(2,099)
Transfers	0	(92)	0	0	0
<b>Gross Value 31 March 2009</b>	<b><u>16,956</u></b>	<b><u>8,461</u></b>	<b><u>759</u></b>	<b><u>2,755</u></b>	<b><u>29,023</u></b>
Depreciation at 1 April 2008	3,038	5,143	303	0	8,484
On assets sold	0	0	18		0
Charged in year	623	642	<u>321</u>		1,375
Depreciation at 31 March '09	<u>3,661</u>	<u>5,785</u>		<u>0</u>	9,859
Net Value 1 April 2008	15,824	2,197	349	4,600	22,970
Net Value 31 March 2009	13,295	2,676	438	2,755	19,164

### 2. Movement of Assets under Construction 2008/2009

	Other Land and Buildings £000	Vehicles Plant and Equipment £000	Total
Gross Value at 1 April 2008	0	0	0
Additions	70	3,671	3,741
Revaluations	0	0	0
<b>Gross Value 31 March 2009</b>	<b><u>70</u></b>	<b><u>3,671</u></b>	<b><u>3,741</u></b>
Depreciation at 1 April 2008	0	0	0
Depreciation at 31 March '09	0	0	0
<b>Net Value 31 March 2009</b>	<b><u>70</u></b>	<b><u>3,671</u></b>	<b><u>3,741</u></b>

### 3. Movement of Intangible Assets 2008/2009

	Improvement Grants	Housing Association Grants	Other Grants	Total
<b>Balance at 1 April 2008</b>	0	0	0	0
Transfers	0	0	0	0
Expenditure in Year	1,720	0	1,095	2,815
Grants and Contributions	(518)	0	(21)	(539)
Written down in year	(1,202)	0	(1,074)	(2,276)
<b>Balance at 31 March 2008</b>	0	0	0	0

### 4. Financing of capital expenditure

£000

Opening CFR	12,841
Expenditure on Fixed Assets (cash basis)	5,420
Expenditure on Intangible Assets (cash basis)	2,815
Usable Capital Receipts	(7,496)
Specified Capital Grant	(739)
Closing CFR	12,841

### 5. Information on Assets Held

5.1 Fixed Assets owned by the Council include the following:

31 March 2008 Number owned		31 March 2009 Number owned
	Buildings:	
1	Public Offices	1
2	Leisure Centres	2
21	Managed Workspaces	21
11	Managed Offices	11
8	Shops	0
	Vehicles:	
3	Light Vans	4
5	Recycling Vehicles	5
0	Food Waste Vehicles	7

## 6. Fixed Asset Valuation

- 6.1 The Authority has complied with the requirements of Financial Reporting Standard (FRS 15) in the Statement of Accounts, and has charged depreciation to the service accounts, reversing the entries out via the Note of Reconciling Items for the Statement of Movement on the General Fund.
- 6.2 Fixed assets are valued on a five-year rolling basis. Revaluations are completed by James Hall MRICS, who is employed within the Estates and Valuation Section at Mid Beds District Council. The net impact of any revaluations would be shown in the respective accounts within the Balance Sheet.
- 6.3 The impairment charged to the Income and Expenditure Account was due to a change in classification of some public conveniences from Operational (specialised) to Non Operational, resulting in a change to the basis of valuation of from Existing Use Value to Market Value.
- 6.4 If there has been no material change in the valuation of a fixed asset, the values included on the Balance Sheet have not been updated.
- 6.5 Fixed Assets have been included in the Balance Sheet in accordance with our accounting policies. See table 6.3 on page 9.
- 6.6 Sale of Brookes Rd, Flitwick and Queens Rd, Ampthill

The Council sold its freehold interest in Brookes Rd, Flitwick and Queens Rd, Ampthill in 2008/09 receiving a capital receipt of £640k for Brookes Rd and £175k for Queens Rd.

- 6.7 The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Other Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Infrastructure £000s	Non Operational £000s	TOTAL £000s
Valued at historical cost	-	2,676	438	-	3,114
Valued at current value in:					
2008/09	4,400	-	-	2,755	7,155
2007/08	2,232	-	-	-	2,232
2006/07	6,663	-	-	-	6,663
2005/06	-	-	-	-	-
2004/05	-	-	-	-	-
2003/04	-	-	-	-	-
	<b>13,295</b>	<b>2,676</b>	<b>438</b>	<b>2,755</b>	<b>19,164</b>

## 7. Analysis of Net Assets Employed

31 March 2008 £000		31 March 2009 £000
65,237	Net Worth	50,626

## 8. Long Term Debtors

- 8.1 Long Term debtors relate to mortgages provided by the Council to former housing tenants, benefit overpayments, and staff car loans and a £500k loan to Stotfold Town Council repayable by 31 March 2010

## 9. Stocks

31 March 2008 £000		31 March 2009 £000
44	Postages/Consumables	2

## 10. Debtors (net provisions)

31 March 2008 £000		31 March 2009 £000
	Amounts falling due in one year:	
1,909	Government Departments	3,157
185	Local Authorities	10,651
2,581	Council Tax Payers	2,668
800	NDR Payers	994
<u>3,576</u>	Sundry Debtors	<u>3,341</u>
9,051		20,811
(1,329)	Less: provision for bad debts	(1,469)
<u>7,722</u>		<u>19,342</u>

The Local Authorities figure in the table above includes the apportionment of Bedfordshire County Council's LGR transition costs to the value of £10.5M, referred to in Note 2 to the Income and Expenditure Account.

## 11. Investments

11.1 The Fair value of the Council's external investments is dependent upon the market conditions at any moment in time. At the 31 March 2009 the value of the investments was around £33m, of which around £4m was long term.

31 March 2008 Carrying Amount £000		31 March 2009 Carrying Amount £000
	<b><u>Long Term</u></b>	
	<b>Loans and receivables</b>	
10,000	In-house Investments	0
	<b>Available-for-sale financial assets</b>	
5,187	Lime Property fund	4,374
<b>15,187</b>	<b>Long Term Investments Total</b>	<b>4,374</b>
	<b><u>Short Term</u></b>	
	<b>Loans and receivables</b>	
28,732	In-house Temporary	23,508
	<b>Available-for-sale financial assets</b>	
	<b>External Fund Managers</b>	
5,301	Investec Asset Management	5,675
<b>34,033</b>	<b>Short Term Investments Total</b>	<b>29,183</b>

11.2 When looking at investments three main areas of risk are taken into consideration. They are as follows:-

11.3 Credit Risk - the possibility that other parties might fail to pay amounts to the authority.

11.4 Liquidity Risk – the possibility that the authority might not have funds available to meet its commitments to make payments.

11.5 Market Risk – the possibility that the financial risk might rise for the authority as a result of changes in such measures as interest rates and stock market movements.

11.6 The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on resources available to fund services. Risk management is carried out within the Finance function under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as

well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

## Credit Risk

- 11.7 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated as follows:

Term Deposits – Banks	Short term Fitch F1/B or better
Term Deposits – Building Societies	£5m with a Building Society rated 'AA' long term, or better rated.
	£3m with a Building Society rated 'A' long term, or better rated.
Certificates of deposits issued by Banks and Building Societies	As Term Deposits
Money Markets	'AAA'
UK Government Gilts	'AAA'

In light of the conditions in the financial markets, the Council's investment strategy was further tightened during the course of the year. More details are included in the Treasury Management Review 2008/09 reported to the Central Bedfordshire Executive in July 2009.

- 11.8 Customers and the appropriate bad debts provisions are assessed, taking into consideration the outstanding amounts, past collection experience and other relevant factors.
- 11.9 The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	A	B	C	{A X C}
External Fund Manager	5,676	0.0	0.0	0
Property Fund		0.0	0.0	0
Long term loans	4,301	0.0	0.0	0
Short term loans	28,501	0.0	0.0	0
Customers	6,427	0.6	0.9	58
	<u>38,478</u>			<u>58</u>

11.10 There has been no experience of default from any of the financial institutions with which the authority has been associated in the last 5 years. No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

11.11 The authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. This is reflected in the rating requirements of the institutions it chooses to invest with.

11.12 Customers - Historical experience of default from customers has been very low, at 0.6%. The customer base for the purpose of ascertaining risk is mainly comprised of council taxpayers, housing benefit overpayments, non-domestic rates and central and local government debtor accounts.

11.13 For this calculation a very prudent view has been taken concerning current economic conditions. These conditions could feed through into a greater level of default, particularly amongst businesses, and subsequently could lead to a reduced collection rate for non-domestic rates. Whilst this is difficult to quantify, the calculation for historical experience of default has been adjusted by an additional 50%.

11.14 The authority does not generally allow credit for customers. However, timing issues can occur where invoices are sent out near the end of the financial year and amounts have not been received from debtors by the end of the financial year, mainly for invoices raised through the sundry debtors system. It should also be noted that the accounts include prudent bad debts provisions, which are reviewed on an annual basis.

	£
Up to one year	786,975
More than one year	401,660
	<u>1,188,635</u>

11.15 It is anticipated that the majority of the amount owed will be paid. Bad debt provisions are provided to help offset amounts that have not been received, and are calculated on the basis of a reducing likelihood of repayment over time. Generally the longer the amount has been outstanding, the greater percentage that is applied to the outstanding sum as a Bad Debts Provision.

11.16 The Aged Debt Analysis and Bad Debts Provision as at 31 March 2009 for the Sundry Debtors System and IBS system is shown below.

Year that debt originally became due	Aged Debt @ 31/03/09 £	% Bad Debts	Bad Debts Provision £
2008/09	786,975	20%	157,395
2007/08	141,451	20%	28,290
2006/07	121,360	85%	103,156
2005/06	63,410	50%	31,705
2004/05	26,172	37%	9,683
2003/04	9,471	37%	3,504
2002/03	5,798	37%	527
2001/02	1,424	37%	12,000
2000/01	9,667	37%	3,577
Prior to 1999/00	22,907	37%	8,476
<b>Total</b>	<b>1,188,635</b>		<b>358,313</b>

11.17 The Council also has a defined write off policy, located in its Financial Procedure Rules (section 5.4.2). Formal approval for any debt write-off has to be obtained; the appropriate write-off action must be taken within defined timescales, and the appropriate accounting adjustments are made following write-off action.

#### Liquidity Risk

11.18 The authority is debt free with significant financial reserves and also has an approved bank overdraft limit of £500k. There is therefore no significant risk that it will be unable to meet its financial commitments.

11.19 All trade and other payables are paid as soon as possible, and normally within 1 year unless there are contractual obligations to do otherwise.

#### Market Risk – Interest Rate Risk

11.20 The authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. It would only borrow, by way of an approved bank overdraft for short periods, to cover any temporary cash shortfalls. Movements in interest rates can have a complex impact on the authority and because of the authority's significant financial reserves only impact on investments. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise



- Investments at fixed rates – the fair value of the assets will fall.

11.21 However, changes in interest payable, if any, and interest receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

11.22 The authority has a Treasury Management Strategy, which is approved by Council annually, which includes the policy for managing interest rate risk. The Policy is to aim to keep an upper limit of 100% of its investments in variable rate investments and an upper limit of 100% of its investments in fixed rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be arranged early in this cycle to limit exposure to falling returns.

11.23 The finance team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget forecast, quarterly, throughout the year. This allows any variances from budget to be identified and reported to Scrutiny. The analysis will also consider whether any investments should be fixed or variable term.

11.24 According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher for the entire financial year 2008/09 with all other variables held constant, the financial effect would be:

Note	<u>£000s</u>
1 Increase in interest payable on variable rate borrowings	0
2 Increase in interest receivable on variable rate investments	[507]
3 Increase in government grant receivable for financing costs	[0]
	<hr/>
Impact on Income and Expenditure Account	[507]
	<hr/>
4 Decrease in fair value of fixed rate investment assets	0
	<hr/>
Impact on STRGL	0
	<hr/>
1 Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	0
	<hr/>

## Notes

1. The Authority is debt free and would therefore be unaffected by increases in interest rates on loans or decreases in the fair value of borrowing liabilities.
  2. The majority of the Authority's internal investments are variable so an additional 1% increase in interest rates would have had a significant effect (£452k). Investments held by fund managers would also have benefited from this rise (£55k), however any effect on the Property Fund would be minimal as there would not necessarily be a change to rental or lease income.
  3. It is assumed that as the Authority's financing costs would not increase there would be no additional government grant.
  4. The authority's investment portfolio does not involve bonds or options where the realisable market value differs from the face value. Whilst the value of the property fund can fluctuate due to market conditions, this is not necessarily directly linked to a change in interest rates of 1%.
- 11.25 The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Market Risk – Price Risk

- 11.26 The authority does not invest in equity shares and so does not have exposure to price risk.

### Market Risk – Foreign Exchange Risk

- 11.27 The authority did invest with the Bank of Credit and Commerce International (BCCI), which subsequently went into liquidation in the early 1990s. Mid Beds does still receive dividend payments from the liquidators of BCCI which is payable in American Dollars. Currency fluctuations between the British pound and the American Dollar may impact on amounts received by Mid Beds, however as Mid Beds does not carry a debtor balance in respect of the dividend, these fluctuations do not represent a foreign exchange risk to the authority's Balance Sheet.

## 12. Creditors

<b>31 March 2008 £000</b>		<b>31 March 2009 £000</b>
183	Government Departments	199
909	Local Authorities	2,124
667	Council Tax Payers	553
171	NDR Payers	190
<u>1,478</u>	Sundry Creditors	<u>6,872</u>
<u>3,408</u>		<u>9,938</u>

The Local Authorities figure in the table above includes a creditor for South Bedfordshire District Council of £948,000 which adjusts for South Beds apportionment of LGR transition costs.

The Sundry Creditors figure includes £3.8M relating to accrued LGR redundancy and pension strain costs.

Further accruals related to Mid Beds stewardship role in the LGR process have increased the level of creditors to a level higher than would be expected in a normal year of operation.

### **13. Government Grants – Deferred**

13.1 Around £122,000 was received from Central Government in 2008/09. Expenditure amounted to around £27,000

	£'000
Balance Brought Forward	237
Government Grant Received	122
Expenditure	(27)
Transfer to Earmarked Reserves	<u>0</u>
Balance Carried Forward	332

### **14. Balances and Reserves**

14.1 Full details of all balances and reserves are analysed in the Statement of Total Movements in Reserves and its associated notes from pages 47 to 55.

### **15. Euro Preparation Costs**

15.1 The Authority has kept a 'watching brief' on this issue through membership of the Chartered Institute of Public Finance's Euro Forum. No expenditure was incurred in 2008/09. The Council is working on achieving e-govt targets, and through the IEG Statements ensures that new systems are Euro compliant.

### **16. Area Based Grants (ABG)**

16.1 From 2008/09 Area Based Grants (ABG) replaced Local Area Agreements (LAAs). ABG is a non-ringfenced general grant, enabling full local control over how funding can be used.

Mid Beds received a total of £102,500 for ABG and £27,000 LAA grant carried forward from 2007/08. The grants were spent on revenue projects.

### **17. Capital Commitments**

17.1 Mid Beds had no capital commitments as at the Balance Sheet date.

## STATEMENT OF MOVEMENT IN RESERVES

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

For further detail on reserves, see notes to Movement in Reserves.

<b>Reserve</b>	<b>Balance 31 March 2008 £000s</b>	<b>Net Movement in Year £000s</b>	<b>Balance 31 March 2009 £000s</b>
Revaluation Reserve	2,317	(723)	1,594
Available-for-Sale Financial Instruments Reserve	109	(742)	(633)
Capital Adjustment Account	7,565	23,647	31,212
Deferred Capital Receipt	115	(54)	61
Useable Capital Receipts	58,458	(29,668)	28,790
Earmarked Reserves	4,485	1,325	5,810
Pension Reserve	(12,642)	(6,787)	(19,429)
General Fund	4,606	1,489	3,117
Collection Fund	224	(120)	104
<b>Total</b>	<b>65,237</b>	<b>(14,611)</b>	<b>50,626</b>

## SUPPLEMENTARY STATEMENT OF MOVEMENTS IN RESERVES

	Usable Capital Receipts £000s	Usable Capital Grants and Contributions £000s
<b>Movements in realised capital resources</b>		
Amounts receivable in 2008/09	828	0
<b>Amounts applied to finance new capital investment in 2008/09</b>	(7,496)	0
<b>Set aside useable capital receipts</b>	(23,000)	0
<b>Total increase/(decrease) in realised capital resources in 2008/09</b>	(29,668)	0
Balance brought forward at 1 April 2008	58,458 CR	0
<b>Balance carried forward at 31 March 2009</b>	28,790	0

	Revaluation Reserve £000s
<b>Movements in unrealised value of fixed assets</b>	
Gains/losses on revaluation of fixed assets in 2008/09	(118)
<b>Total increase/(decrease) in unrealised capital resources in 2008/09</b>	
Depreciation Adjustment	(202)
Write off revaluation on disposal of fixed assets	(403)
Total movement on account in 2008/09	(723)
Balance brought forward at 1 April 2008	2,317
<b>Balance carried forward at 31 March 2009</b>	1,594

	Capital Adjustment Account £000s
Financing capital expenditure 2008/2009	7,496
Intangible Assets written down	(2,276)
Depreciation/Govt Grants	(1,081)
Impairment	(2,853)
Disposal	(639)
<b>Set aside Capital Receipts</b>	23,000
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	
Total movement on account in 2008/09	23,647CR
Balance brought forward at 1 April 2008	7,565CR
<b>Balance carried forward at 31 March 2009</b>	31,212CR

### NOTES TO THE MOVEMENT IN RESERVES

#### 1. Revaluation Reserve

- 1.1 The Revaluation Reserve accounts for gains on revaluation of fixed assets not yet realised through sales.

#### 2. Capital Adjustment Account

- 2.1 The Capital Adjustment Account represents resources set aside to meet past expenditure.

### **3. Available-for-Sale Financial Instruments Reserve**

- 3.1 This reserve is used to store gains on revaluation of investments not yet realised through sales.

### **4. Deferred Capital Receipts**

- 4.1 Deferred capital receipts are amounts, usually derived from the sale of assets, to be received by instalments over agreed periods of time.

### **5. Usable Capital Receipts**

- 5.1 These are proceeds from the sale of capital assets, which do not need to be set aside for the provision for credit liabilities (part of the Capital Adjustment Account).

The Central Bedfordshire Council Executive in July 2009 approved the set aside of £23 million of Mid Beds usable capital receipts in order to optimise the opening Capital Financing Requirement and Minimum Revenue Provision position of the new authority.

### **6. General Fund Reserve**

- 6.1 This reserve represents the cumulative surplus of revenue income over revenue expenditure, which has not been set aside, in a specific reserve. It is used to support future years General Fund revenue or capital expenditure, and to protect the Council against unexpected events.

## 7. Earmarked Reserves

7.1 Details of the Council's earmarked reserves are as follows:-

	Balance at 1 April 2008	Transfer (to)/from Income & Expenditure Account	Balance at 31 March 2009
	£000	£000	£000
Promotion of Youth Participation	13	21	34
Promotion of Youth and Community Safety	5	5	10
Insurance Fund	16	(14)	2
Grant Aid Fund	121	20	141
Cemeteries Fund	101	(4)	97
Community Project Programme Fund	98	1	99
Village Investment Partnership Programme Fund	125	(21)	104
Legal Expenses Fund	72	25	97
Local Plan Fund	345	(230)	115
Public Consultation Fund	10	0	10
Emergency Planning Fund	2	(2)	0
Transportation Initiative	7	(7)	0
Housing Needs Survey Priority Needs	115	(29)	86
Homelessness	55	(11)	44
Elections Fund	108	(14)	94
HECA East Network	34	(32)	2
HMO Registration/Licensing	3	0	3
HR Consultants	23	(15)	8
Information Technology	87	(87)	0
Development Control Legal Expenses	56	43	99
DWP Verification Framework	26	(26)	0
Conservation Fund	51	(17)	34
Smoke - free Workplace	24	(24)	0
Building Control	45	(15)	30
Planning Retention /Development Fund	375	(187)	188
Energy Efficiency	12	0	12
Stock Condition Survey	51	0	51
Specialist Support Fund	125	(37)	88
Interest Equalisation	750	537	1,287
Benefit Subsidy Equalisation	750	688	1,438
SCRIBE	44	55	99
<b>Sub Total</b>	<b>3,649</b>	<b>623</b>	<b>4272</b>

	Balance at 1 April 2008	Transfer (to)/from Income & Expenditure Account	Balance at 31 March 2009
	£000	£000	£000
DWP-HBSD /IAD Funding	3	(3)	0
Recycling Officer Funding	106	51	157
Lease Car Reserve	495	(151)	344
Home Improvement Agency	31	91	122
SNAP Dance	4	27	31
Safer & Stronger Communities	9	(9)	0
Bedford & Luton Resilience Forum	8	4	12
DWP Local Housing Allowance	61	(24)	37
DEFRA	120	153	273
Potton & District CLF Policy	(1)	1	0
Saxon Pool Profit Share	0	13	13
Biggleswade Recreation Centre	0	(13)	(13)
Sandy Profit Share Account	0	18	18
Crimebeat	0	27	27
Lottery	0	12	12
MEND Programme	0	8	8
Adp of Public & Open Space	0	30	30
Beds Conference Bureau	0	449	449
	0	18	18
<b>Total</b>	<b>4,485</b>	<b>1,325</b>	<b>5,810</b>

- The **Promotion of Youth Participation and Promotion of Youth and Community Safety** was established in 2002/03 and relates to the Best Value Performance Plan for 3 years. Its aim is to involve the young citizens of Mid Beds in the decision making process and also to develop a transport strategy.
- The **Insurance Fund** is a sum set aside to cover potential insurance liabilities, mainly on buildings but the fund may also cover other areas. Mid Beds insures most of its risks with Zurich Municipal.
- The **Grant Aid Fund** provides grant aid to local organisations.
- The **Cemeteries Fund** provides financial assistance to Town and Parish Councils relating to existing burial ground facilities, which have become full or are nearing that state.
- The **Community Projects Programme (C.P.P)** and **Village Investment Partnership Programme (V.I.P.P)** Funds have been established to provide financial assistance to Town and Parish Councils in their efforts to make their villages/towns more secure, safe and pleasant places in which to live. Parish Councils/Meetings with a population up to 2,500 may apply for grant aid from the V.I.P.P Fund, and Towns/Parishes with



a population of over 2,500 may apply for grant aid from the C.P.P Fund.

- The **Legal Expenses Fund** was established in response to possible calls on the Authority's finances in the future in relation to legal issues. This fund is reviewed annually.
- The **Local Plan Fund** was established to spread the cost of the Local Plan Inquiry over a number of years, rather than incur substantial expenditure in one financial year.
- The **Public Consultation Fund** is a fixed sum of money used annually for consultation exercises.
- The **Emergency Planning Fund** was set up in 2001/02 to help meet the costs arising from a situation regarded as a civil emergency. This may include a serious road traffic accident or flooding.
- The **Transportation Initiative** was established to provide an improved level of service covering all transportation issues within Mid Beds.
- The **Housing Needs Survey** holds contributions from Mid Beds preferred partner Housing Associations. The survey is being carried out to establish the need for affordable housing within the district.
- The **Priority Needs Homelessness** is funded by central government. It is specific funding aimed to reduce the usage of Bed & Breakfast accommodation.
- The **Elections Fund** was set up to spread the cost of the district elections over a four-year period thus removing the peaks and troughs in revenue expenditure.
- **HECA East Network** is an informal organisation of Home Energy Conservation Act officers covering the Eastern Region.
- **Houses in Multiple Occupation (HMO) Registration/Licensing** - This reserve was set up to incur future expenditure relating to HMO Registration and Licensing.
- **Human Resources (HR) Consultants** – This reserve consists of unspent revenue employee provision in 2006/07 and will be utilised on HR Consultants.
- **Information Technology** – Over recent years the Council has invested heavily in IT supplies and services. Expenditure has not necessarily followed original budget phasing, hence this reserve is required to 'equalise' the revenue spend between years to avoid any unnecessary burden on the General Fund.
- **Development Control Legal Expenses** – The fees in this area of activity can fluctuate significantly from year to year. This reserve has been created with a stable annual revenue contribution, which is kept under review, to equalise the revenue spend between years.
- **Department of Work and Pensions (DWP) - Verification Framework (VF)**- This represents monies received from DWP as grant towards the

cost of implementing the Verification Framework. This grant was fully utilised against specific VF compliance activity during 2008/9.

- **Conservation Fund** – This reserve was set up to receive income from the Fairfield Hospital S106 agreement, in respect of specific funding for conservation expertise relating to works to the listed building and will be utilised towards that aim in due course.
- **Smoke - Free Workplace** - This represents specific grant received from the Government in respect of expenses associated with the smoke - free workplace legislation in July 2007.
- **Building Control** - Following a review of Building Control staffing resource and skills mix, this reserve was created from initial savings in the early years of the review to fund anticipated increases in future years as the skills and subsequent pay rates increase over the next 2-4 years. In addition the fund helps to equalise income fluctuations between years.
- **Planning Retention/Development Fund** - Following a review of the Planning Department staffing resources and skills mix, this reserve was created from initial savings to fund anticipated increases in future years as the skills and subsequent pay rates increase.
- **Energy Efficiency** - As part of the Governments' Energy Efficiency Commitment programme, Mid Beds receives £10 for each property that is insulated by the authority.
- **Stock Condition Survey** – A fund has been set up to provide sufficient funding to maintain an adequate register for the condition of the housing stock in Mid Beds. Annual contributions will be made to the fund to maintain a 'smoothing' impact on the revenue budget.
- The **Specialist Support Fund** was set up following the deletion of a further senior management post in 2006/07. The Fund recognises the need to fund human resources that will be needed due to reduced capacity at senior management level.
- The **Interest Equalisation Fund** was set up to 'smooth out' fluctuations in amounts of interest received in each financial year.
- The **Benefit Subsidy Equalisation** was set up to protect against the volatility of the Housing and Council Tax subsidy that can occur between financial years due in part to timing issues between payments being made and subsidy being received. It is proposed to work in a similar way to the Interest Equalisation Fund.
- **Sharing Community Related Information in Bedfordshire Electronically (SCRIBE)** – This project delivers a central, map based system which acquires and maintains information from a wide and diverse range of systems and organisations to allow disparate datasets to be viewed and analysed in conjunction with each other, to deliver business and operational benefits which are greater than the sum of the parts. This reserve has been set up to assist with the future development of this project.

- **DWP-HBSD/IAD Funding** – Funding has been given by the Department for Work and Pensions (DWP) to implement new software to enhance the statutory data exchange of the benefits caseload of this authority on a monthly basis to the DWP.
- **Recycling Officer Funding** – The Executive of 19 September 2007 resolved that external grant funding be utilised to facilitate the employment of two recycling support officers for a three year fixed contract.
- **Lease Car Reserve** – Following the review of the lease car scheme in January 2007 a Lease Car Reserve, funded from the General Fund, has been set up to cover the additional cost of lease cars in excess of budgeted expenditure. The fund was originally set up with £650,000 for costs incurred between 2007/08 and 2010/11. In the financial year 2008/09 a total of £151,000 of this fund was utilised.
- **Home Improvement Agency - The Home Improvement Agency (HIA)** provides guidance and assistance for grant claims that cover Disabled Facility Grant (DFG) and Home Improvement Grants (HIG) for claimants who opt to use its service.
- **SNAP Dance** – This is a sum of money held within the Authority's reserves used to promote youth activities throughout the district.
- **Safer & Stronger Communities** – holds the grant funding received from the Local Area Agreement (LAA). This grant relates to specifically identified projects.
- **Bedford & Luton Resilience Forum** – Is the sub-regional partnership of all the agencies that may respond to a Major Incident or Emergency. It aims to ensure that the communities of Bedfordshire and Luton are as resilient as possible to the consequences of an emergency situation or event. See [www.blrf.org.uk](http://www.blrf.org.uk) for more information.
- **DWP Local Housing Allowance** – All new benefit claims from private tenants made from the 7 April 2008 are assessed under the Local Housing Allowance (LHA) regulations. The DWP has given all Local Authorities funding for new software, training, publicity and additional staffing costs.
- **DEFRA** – Contains specific grant received from the Department for the Environment, Food & Rural Affairs (DEFRA).
- **Potton & District CLF** – Represents the residual balance of committed expenditure for the Potton & District Community Liaison Forum.
- **Policy** – This was created to safeguard monies to assist with Climate Change Policy, which in light of the Local Government Reorganisation from 1 April 2009 had been put on hold.
- **Saxon Pool Profit Share Fund** - Mid Beds receives a share of any profit made by Stevenage Leisure Ltd, the contractor responsible for running Saxon Pool when it is in excess of what was originally anticipated for the year. Profit share funding can be spent as necessary on the facility provided it has been agreed with the Portfolio Holder and Head of

Service.

- **Biggleswade Recreation Centre** - See note for Saxon Pool Profit Share Fund as the same applies for this leisure facility.
- **Sandy Profit Share Account** - See note for Saxon Pool Profit Share Fund as the same applies for this leisure facility.
- **Crimebeat** - This funding was provided by Bedfordshire Police and Bedfordshire County Council in 2008/09. Mid Beds acts as co-ordinator for this project which is to tackle Anti Social Behaviour in the district.
- **Lottery** - This is a play project set up to provide equipment, staff time and a programme of events under 3 main headings Play Rangers, Creative Play and Natural Play. The funding covers a period of 3 years.
- **MEND Programme** - This is a Childhood Obesity Project set up to deliver a programme of 12 sessions over an 18 month.
- **Adp of Public & Open Space** - The balance in this fund represents a combination of amounts received by the Authority to maintain specific sites, usually over a period of 10 years. The amounts may also be referred to as 'Commuted Sums'.
- **Beds Conference Bureau** - This is a conference venue finding service ran by Mid Beds on behalf of all partnering councils in the area.

## NOTES TO THE CASH FLOW STATEMENT

### 1. Net Revenue Cash Flow

	£'000	£'000
Net Deficit (see Income & Expenditure Account)	(7,760)	
Net Collection Fund Expenditure	120	
		(7,640)
Less: Internal Income		(11,253)
		(18,893)
Add: Parish Precepts	(3,585)	
Net Expenditure from Provisions	140	
Increase in Debtors	(563)	
Increase in Creditors	5,681	
Decrease in Stock and Stores	42	
Trading Deficit	(540)	
		1,175
		(17,718)
Less: Revenue Support Grant	993	
National Non-Domestic Rate Pool	7,131	8,124
<b>Net Revenue Cash</b>		<b>(9,594)</b>

### 2. Movements in Current Revenue Items

	31/03/2008 £'000	31/03/2009 £'000	Movement £'000
Sundry Creditors (revenue)	3,152		(3,152)
Sundry Debtors (revenue)	7,618		(7,618)
Stocks and Stores	44	2	(42)

### 3. Movement in Cash

	31/03/2008 £'000	31/03/2009 £'000	Movement £'000
Cash in hand, in transit and at bank	2,557	5,323	2,766

#### 4. Movement in Cash Equivalents

	Investec £'000	Lime Fund £'000	Internal £'000
Bal B/Fwd 2008/2009	5,301	5,187	38,732
Bal C/Fwd 2008/2009	5,675	4,374	23,508
	(374)	813	15,224
Movement in Investment	374	(813)	0
Repayment	0	0	15,224
Total Repayment			15,224
BCCI Receipt			30
<b>Total Movement in Liquid Resources</b>			<b>15,254</b>

#### 5. Cash Outflows on Capital Activities

	31/03/2008 £'000	31/03/2009 £'000	£'000
Total Capital expenditure			8,136
Movements in Capital creditors:-	256	157	99
			<b>8,235</b>

#### 6. Management of Capital Resources

Liquid resources represent investments held with Fund Managers and short term deposits.	
The approved Treasury Management Policy relating to 2008/09 includes the following maximum limits:	
Term Deposits – Banks	Short term Fitch F1/B or better
Term Deposits – Building Societies	- £5m with Building Society AA Rated or better. -£3m with Building Society Rated A long term or better.
Certificates of deposits issued by Banks and Building Societies	As Term Deposits
Money Markets	'AAA'
UK Government Gilts	'AAA'
In light of the conditions in the financial markets, the council's investment strategy was further tightened during the course of the year. More details are included in the Treasury Management Review of 2008/09 reported to the Central Bedfordshire executive in July 2009.	
Investments at year end were only made with a limited range of institutions that had access to the government credit guarantee scheme (CGS)	

## 7. Analysis of Government Grants

	£'000
<b>Capital</b>	
Renovation Grants	449
Planning Delivery Grant	122
DEFRA	417
Disabled Facility Grant	48
Home Improvement Grants Contributions	21
	<u>1,057</u>
<b>Revenue</b>	
Residual Housing Defects Grant	9
Dept of Transport	214
Local Authority Business Growth Incentive	262
Housing & Planning Delivery Grant	253
	<u>738</u>

**2008/09 COLLECTION FUND ACCOUNT**

<b>2007/2008</b>		<b>2008/2009</b>	<b>2008/2009</b>	<b>NOTES</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	
	<b>INCOME</b>			
66,656	Council Tax Collectable	70,133		2
<u>5,724</u>	Add: Council Tax Benefit	<u>6159</u>		
72,380			<u>76,292</u>	
28,308	Business Rates Collectable		29,987	3
0	Contributions to Fund Deficit by Precepting authorities		46	
<u>100,688</u>	<b>Total Income</b>		<u>106,235</u>	
	<b>EXPENDITURE</b>			
72,079	Council Tax: Precepts	76,343		4
63	Bad & Doubtful Debts: Written off	102		5
<u>(32)</u>	Increase/(Reduction) in provision	<u>13</u>		5
72,110			<u>76,458</u>	
537	Contributions from previous years estimated surplus balance		0	
28,084	Business Rates: Paid to National Pool	29,589		3
167	Costs of Collection	163		
154	Bad & Doubtful Debts: Written off	122		3
<u>(97)</u>	Increase/(Reduction) in provision	<u>113</u>		5
			<u>29,981</u>	5
<u>100,955</u>	<b>Total Expenditure</b>		<u>106,446</u>	
<u>(267)</u>	<b>Addition/(Reduction) to Fund Balance in Hand</b>		<u>(120)</u>	

**COLLECTION FUND ACCOUNT BALANCE**

<b>2007/2008</b>		<b>2008/2009</b>	<b>NOTES</b>
<b>£000</b>		<b>£000</b>	
(491)	Deficit/(Surplus) Balance at 1 April	(224)	
<u>267</u>	Deficit/(Surplus) for the year	<u>120</u>	
(224)	Deficit/(Surplus) Balance at the end of the year	<u>(104)</u>	6



## NOTES TO THE COLLECTION FUND ACCOUNT

### 1. General

1.1 This account represents the statutory requirements for Billing Authorities to maintain a separate Collection Fund, which shows the transactions of the Council as the Billing Authority in relation to Business Rates and Council Tax and illustrates the way in which these are distributed. The Fund is consolidated into the Council's accounts. The remaining Community Charge balances, being insignificant, are now treated as normal debtors and included in the debtors balance.

### 2. Council Tax

2.1 The Council is required to calculate a tax base each year and this is divided into the total precept requirement to produce the Band D Council Tax figure.

2.2 The tax base is calculated by estimating the number of dwellings in the District in each tax band, taking into account an estimate of additions and deletions during the year and adjusted for the effects of various reliefs, exemptions and discounts, where applicable.

2.3 Each band total is then adjusted to give band D equivalents. Finally, an adjustment is made to cover non-collection of arrears.

2.4 A summary of the calculation, as agreed by the Chief Financial Officer and Finance Portfolio Holder on 5 February, 2009, is shown below:-

<b>Band</b>	<b>Number of Chargeable Dwellings</b>	<b>Ratio</b>	<b>Band D Equivalent</b>
A	3,798	6/9	1,946
B	10,624	7/9	7,047
C	15,557	8/9	12,450
D	9,360	9/9	8,670
E	8,451	11/9	9,769
F	4,482	13/9	6,142
G	2,606	15/9	4,108
H	206	18/9	408
			<u>252</u>
	Less allowance for non-collection		
	<b>COUNCIL TAX BASE</b>		<b><u>50,288</u></b>

2.5 The tax base multiplied by the average band D tax for the year (£1,518.11) would have produced income amounting to £76,342,716. The income actually produced was £76,292,471.

### 3. Income from Business Ratepayers

- 3.1 Under the arrangements for uniform business rates, the Council collects National Non-Domestic Rates (NNDR) for its area, which are based on local rateable values multiplied by a national rate in the £. The total amount, less certain reliefs and other deductions, is paid to a Central Government Pool (the NNDR pool), which in turn pays back to councils their share of the pool based on a standard amount per head of resident population.
- 3.2 The total non-domestic rateable value at 31 March 2009 was £76,159,385 (2007/08, £78,719,630). The national non-domestic multiplier for the year was 46.2 per £ of rateable value (2007/08, 44.4p).
- 3.3 A Small Business Rate was introduced from 1 April 2005. The national non-domestic multiplier was per £45.8 or rateable value (2007/08, 44.1p).

### 4. Precepts and Demands

	<u>£000</u>
Bedfordshire County Council	56,497
Bedfordshire Police Authority	6,803
Beds & Luton Fire Authority	3,965
Mid Beds District Council	5,493
Parish Councils / meetings	<u>3,585</u>
	<u>76,343</u>

### 5. Provision for Bad & Doubtful Debts

- 5.1 Provision has been made on the basis of statistics of actual recovery percentages for previous years together with a reasonable estimate of recovery for 2008/09.

### 6. Collection Fund Balance Apportionment

- 6.1 The Collection Fund balance as at 31 March 2009 was a surplus of £104,438. When this is distributed to the three major authorities in 2009/10, the amounts applying to each is calculated as follows:

	<u>£'000</u>
Central Bedfordshire Council	88,982
Bedfordshire Police Authority	9,765
Beds & Luton Fire Authority	<u>5,691</u>
	<u>104,438</u>

## **STATEMENT OF RESPONSIBILITIES**

### **1. The Authority's Responsibilities**

The Authority is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs (Section 151 of the Local Government Act 1972). The Director of Corporate Resources is the officer designated by Central Bedfordshire Council as the responsible officer.

The Authority is also required to manage its affairs to secure, economic, efficient and effective use of resources and to safeguard its assets.

The Authority has ensured that this Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations. The Statement of Accounts is submitted to Council for approval.

### **2. The Director of Corporate Resources Responsibilities**

The Director of Corporate Resources is responsible for the preparation of the Council's Statement of Accounts which, in terms of the Code of Practice on Local Authority Accounting, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

In the preparation of the Statement of Accounts, the Director of Corporate Resources has: -

- Selected appropriate Accounting Policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Accounting Code of Practice;
- Ensured that proper accounting records are kept which are up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Governance Statement outlines the Council's Main systems of internal control and any resultant actions arising for the next year.

Clive Heaphy, CPFA  
Director of Corporate Resources  
S151 Officer

Date

## **Annual Governance Statement 2008/09**

### **1. SCOPE OF RESPONSIBILITY**

Mid Bedfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Mid Bedfordshire District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Mid Bedfordshire District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website [www.midbeds.gov.uk](http://www.midbeds.gov.uk) or can be obtained from:-

Mid Bedfordshire District Council,  
Finance Department,  
Priory House,  
Monks Walk,  
Chicksands,  
Shefford,  
Bedfordshire SG17 5TQ.

This statement explains how Mid Bedfordshire District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

This governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Mid Bedfordshire District

Council for the year ended 31 March 2009 and up to the date of approval of the governance statement and statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:-

- **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

The Vision, which the Council has adopted, is: *To improve the quality of life in Mid Beds*. Of course, quality of life is a combination of many factors such as having a job, staying healthy and enjoying a safe & clean environment.

Recognising the need for clarity, the Council has set itself three aims, which are focused on what it can do to improve the quality of life for residents. These are: *To support our community; To care for the environment; and To deliver quality services*.

The Vision and Aims give us the long term framework for what we are trying to do. We need to translate this into more concrete objectives to guide our work. At Mid Beds we have five corporate objectives in place, namely:

*To minimise waste, prevent and control pollution and encourage sustainability;*

*To help create a safer, stronger, healthier and more prosperous community;*

*To improve the delivery and responsiveness of Council services to our customers;*

*To champion community interests and ensure all sections have an opportunity to be involved/participate in decision making;*

*To ensure that the development of the district is in accord with the Local Plan.*

Beneath these objectives are "High Level Targets (HLT's)" which are reviewed annually and which are the practical expression of our priorities for the coming year. These targets do not attempt to cover all aspects of our services, but are helpful in showing what is most important in the short and medium term.

The 12 High Level Targets were last reviewed in 2007 and are embedded within the corporate plan 2007-09. Because of the circumstances of the authority in terms of Local Government Reorganisation these targets set out our aspirations up to April 2009 when Central Bedfordshire Council comes into being.

The selection of areas as High Level Targets included consideration of a range of survey information to ensure that our priorities are consistent with public concerns. The full evaluation of this information, and the rationale underpinning the choice of targets, is included within the report to Executive of 21 November 2007.

The High Level Targets are communicated through circulation of the corporate plan (to all staff, members and key partners) and through Horizon Magazine to the public more broadly. They are also available through the Council's website.

- **Reviewing the authority's vision and its implications for the authority's governance arrangements**

The Council periodically reviews its Vision and Objectives and would ordinarily have done so following the election of the new administration in May 2007. However, in light of local government reorganisation, members agreed to retain the Mid Beds Vision un-amended until April 2009.

Governance arrangements, including Executive arrangements, Overview and Scrutiny and Audit Committee were unaltered during 2008/09. However, during the year Mid Beds streamlined the operation of its Executive and Overview & Scrutiny functions to reduce the number of meetings. This reflects the need to direct resources to establishing the new Council for Central Bedfordshire, including the establishment of a number of member task forces' and a shadow scrutiny committee.

The approach to policy and decision making is laid down in the Council's constitution, which sets down both decision-making arrangements and responsibilities for different functions. The service planning and budget process is integrated to ensure that clear links exist between corporate objectives, service plans and budgets to enable appropriate prioritisation to take place.

- **measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

The Council monitors performance information at regular intervals, to check that we are making progress with achieving our goals. Performance measurement is used to improve services to the public, and improve accountability, i.e. the results which are achieved for the resources that are used.

Measuring performance is the foundation upon which performance management is built, and helps us maintain focus on key priorities, and question areas of poor performance.

There are different types of performance measures:-

*National Performance Indicators (NPIs) are required by law and reflect the government's priorities. These provide national comparisons of performance;*

*High Level Targets (HLTs) are set by Members and reflect our local priorities (some of which will also be national priorities). These align directly to our Corporate aims and objectives;*

*Local Performance Indicators (LPIs) are set by Directors through service planning, and reflect both local objectives and day-to-day management.*

Members of the Council agree a budget at the beginning of each year. This is monitored by officers on a monthly basis to identify whether expenditure and income show any major variances. Budget monitoring reports are then presented to Management Team and the Overview and Scrutiny Committee on a quarterly basis. Using briefing books, which are published at various intervals, the Council can see how well it is delivering on its day-to-day services, and on the range of long-term plans and strategies, for example the Crime & Disorder Reduction strategy and the Sport and Physical Activity strategy.

A performance management software system (PB Views) is used across all divisions. This primary dataset is known as "Vital Signs" and consists of approximately 50 indicators. It is collated and presented quarterly to the Scrutiny committee, who hold the relevant Executive member (Portfolio Holder) to account for performance in their portfolio. The content of the Vital Signs data set was reviewed in March 2008. Management Team and Corporate Management Group receive bi-monthly presentations of performance data, based upon Vital Signs, but augmented with a selection of further indicators of interest to senior managers.

With regard to ensuring that services are delivered in a cost effective manner, the Council utilises cost comparison information provided by the Institute of Public Finance. This shows that the Council provides good value for money (both overall and within services). This was confirmed within the Council's corporate performance assessment carried out in 2007 and in the latest Use of Resources (VFM) assessment, whereby a scored judgement of 2 was assessed by the external auditors

- **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The Council Constitution lays down the roles and responsibilities of specific Officers, Members and Committees. It also lays down the delegation arrangements and protocols that both Officers and Members are expected to follow.

- **developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Part 5 of the Council's Constitution sets out the Code of Conduct expected of Council Members, together with various other codes and protocols. Following the changes to the Code in May 2007 training was rolled out to all Members of the District Council and also to Town and Parish Councils to ensure they were aware of the changes contained within the new Code. Training continues on an ad hoc basis as required.

Additionally, Members also have completed new Register of Interest forms, which were approved by the Ethics & Standards Committee, together with guidance in January 2008.

- **reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the**

## **processes and controls required to manage risks**

The Council's Constitution, incorporating procedures, financial instructions, scheme of delegation, etc. underwent a review in 2006. Subsequently, areas of the Constitution are reviewed / updated as the need arises and suitable authorisation for such changes is obtained. The Financial Procedure Rules were revised in June 2006, to take account of a CIPFA "best practice" model. These are not intended to be reviewed on a cyclical basis. Instead their contents are reviewed / revised when, for operational reasons, it is deemed appropriate.

All the Council's financial records are governed by various computerised systems. It is for the system owners to ensure there are appropriate supporting procedure notes / manuals, that define how decisions are taken, and the controls required to manage the risks.

- **undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

The Council introduced a new Audit Committee in May 2007. Its Terms of Reference are set out in Part 3 of the Council's Constitution, and are broadly in accordance with the CIPFA guidance document. The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

- **ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council has designated the Director of Corporate and Democratic Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Council has agreed a constitution, which sets out how the Council operates, how decisions are made, and the procedures, which are followed to ensure that these are efficient, transparent and accountable to local people. The Monitoring Officer will report to full Council, or to the Executive in relation to an Executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

The Council has designated the Chief Finance Officer as the s151 Officer. This Officer has the specific statutory responsibility to ensure the proper arrangements of the authority's financial affairs, and to set the financial management standards and to monitor compliance with them. This is achieved through compliance with Financial Procedure Rules, as laid down in the constitution. This is the framework to be followed, and applies to every Member and Officer of the Council, and anyone acting on its behalf. The Chief Finance Officer will report any breaches of these rules to the full Council and the Executive. The Chief Finance Officer will report to full Council, or to the Executive in relation to an Executive function and the Council's External Auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful



and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.

The Council maintains an Internal Audit Section. It is the role of the auditors to assist management, by reporting compliance with the Council Financial Procedure Rules as laid down in the constitution.

The Council is fully committed to the principles of good corporate governance. This is demonstrated through the measures outlined within a Corporate Governance - Code of Practice, which was revised in March 2008, and the many documents / processes already in place. Regular reviews against a CIPFA/SOLACE checklist are carried out. The results having been reported to our Audit Committee are then published on the Mid Beds web-site.

Councillor's review proposed changes to the policies and procedures. The Audit Committee approves the Anti Fraud and Corruption Policy, and related policies, and monitors the operation of those codes and practices.

The Chief Executive has overall responsibility for ensuring that risks are effectively managed within the Council. The Management Team act as the Council's co-ordinating group on Risk Management, rather than having a separate group established. All Directors of Services and the Chief Finance Officer, in conjunction with their staff have identified, analysed and profiled their operational risks. These operational risks have been identified in risk registers and the operation of controls to mitigate the risks to an acceptable level. Management at all levels are responsible for establishing the internal control environment, ensuring staff comply with controls. The Internal Audit section assists Management, by reviewing operations in accordance with an audit plan, to confirm compliance with procedures / controls and recommending further improvements where necessary. A control environment statement was included in every audit report issued. The Directors of Services signed off Risk Assurance and Internal Control Assurance Statements. This enabled a wider impression of the risk and control environment to be given.

- **whistle-blowing and for receiving and investigating complaints from the public**

The Whistle-blowing Code was reviewed by the Council's Ethics and Standards Committee on 6 December 2006. Complaints under this Code are investigated by the Monitoring Officer. There have been no complaints this year.

In addition, a formal procedure operates for complaints received from members of the public. The results of which are reported quarterly to the Ethics and Standards Committee.

- **identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

All Officers' undertake a Personal Development Review on a six monthly basis. Part of which, is to determine any development / training needs necessary to enable Officers to be more effective when carrying out their roles and responsibilities.

A training programme is developed for Members to follow, including an extensive induction programme for new Members.

- **establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council, as part of a county wide consortium, operates a resident's panel (BedsVoice) which is used as a sounding board for consultation purposes. This is supplemented by a range of "subject specific" consultations carried out in a way which fits the particular needs. In the last year, issues which have been subject to consultation have included waste and recycling.

The Council also undertakes sector specific consultation exercises and in the last year this has included direct consultation with the transgender community and with disabled people. This combination of approaches ensures that we understand and communicate with our stakeholders in a comprehensive manner.

- **incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

Management Team identified the significant partnerships with which we are involved. Assurance reporting arrangements includes reporting on the governance arrangements of our significant partnerships. This information is incorporated into our overall governance arrangements e.g. in accordance with our local code of governance.

#### **4. REVIEW OF EFFECTIVENESS**

Mid Bedfordshire District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the Management Team within the authority, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by appropriate Officers, external audit, other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the governance framework, is as follows:-

- **The Council** – This is the body that consists of 53 Members and which exercises all its powers and duties in accordance with the law and Constitution. Article 4 of the Constitution sets out its role, including its functions.
- **The Executive Committee** – This is the body responsible for the majority of day-to-day decisions. The Executive can only take decisions, which are in line with the Council's Budget and Policy Framework. If it wishes to make a decision that is outside the Budget or Policy Framework, this must be

referred to the Council as a whole to decide. As a control mechanism, there is a procedure to allow decisions made by the Executive, but not yet implemented to be “called in” for review by the Scrutiny Committee. A detailed “call-in” scheme is appended to the Overview and Scrutiny Procedure Rules in the Constitution and sets out the provisions governing the “call-in” of Executive decisions. No “call-ins” were made during 2008/09. The Executive consists of the Leader, who is elected by the Council, together with at least six but not more than nine Councillors who are appointed by the Leader. The Leader has the authority to determine the Portfolio structure of the Executive and to allocate Portfolios to individual Members of the Executive. The Portfolio Holders work closely with the Directors of Services responsible for the operational activities within the Portfolio. Regular meetings of the Management Team, Directors of Services and Portfolio Holders are held to ensure co-ordination of corporate and operational objectives. Portfolio Holders are accountable, on behalf of the Executive, in respect of the Portfolio and are responsible for presenting reports and recommendations at meetings of the Executive, justifying proposals and responding to questions. They are also accountable to the Overview and Scrutiny Committees and the Council, as appropriate.

- **The Audit Committee** – This Committee oversees our corporate risk management and governance arrangements, receiving regular updates. This helps to ensure our arrangements are effective, and in accordance with approved strategy and policy documents. The Anti Fraud and Corruption Policy was last reviewed / updated December 2007. The Council continues to have a very low instance of fraud and corruption, supported by these documents. All these documents are available to both Officers and Members of the public on the Mid Beds web site.

An assessment of the effectiveness of the Audit Committee was carried out, against a CIPFA Audit Committee checklist in January 2009. There were no significant issues highlighted, and no action plan was proposed, partly due the decision to supersede Mid Bedfordshire District Council with Central Bedfordshire Council from April 2009.

- **The Overview and Scrutiny Committees** – The Council introduced revised Overview and Scrutiny arrangements with effect from April 2005, with the aim of establishing an influential overview and scrutiny function, which adds value to the Council. The Overview Committee assists the Executive and the Council in the development and review of its Budget and Policy Framework and other policies and strategies by in-depth analysis of policy issues. The Scrutiny Committee reviews and scrutinises decisions and performance in relation to the Council’s policy objectives, performance targets and/or particular service areas. A further Constitutional review was conducted during early 2006, where a number of minor adjustments were made to the Council’s call-in scheme. These revised overview and scrutiny arrangements are acknowledged as a success.
- **The Ethics and Standards Committee** - The Council acknowledged the increase in workload for the Ethics and Standards Committee following the introduction of the new local regime which deals with complaints received in relation to Members’ conduct. The Standards Board for England previously dealt with these. The constitution was amended to set up the necessary Sub-Committees to deal with the process and these have met. Additionally, the new monitoring of performance regime required by the Standards Board for England has been implemented.

- **Internal Audit** – It is not feasible for all activities, in all divisions, to be reviewed by Internal Audit on an annual basis, nor would it be cost effective to do so. The Audit Manager prepares an annual audit plan in accordance with the audit strategy and based upon an assessment of those areas to be reviewed and the anticipated audit resources needed to complete the plan. This audit plan is then reviewed and approved by the Chief Finance Officer (s151 Officer) and reported to the Audit Committee for information.

For each audit review, a brief is developed, with auditee management. Sample testing is performed to test that controls laid down by Management are working as expected, highlighting risks and making recommendations for improvements in the audit report.

A copy of the audit report is issued to the relevant Director of Service, s151 Officer and Service Manager. This report includes recommendations for improvements that are included within an action plan and require agreement or rejection by Service Managers.

Each audit report contains the auditors' assessment of the internal control environment operating over areas reviewed. This is based upon the number and significance of the recommendations made. An executive summary of the audit findings / control environment is issued to Management Team, as part of the reporting process. Copies of the executive summaries of all audit reports are available to Audit Committee Members, if required.

The Auditor carried out all eleven "fundamental" reviews planned to be completed in the year, supplemented with five "other" reviews. The Audit Manager is pleased to report that "Satisfactory" and above controls have been introduced by auditee management in the areas audited, and these controls were working as expected. This was an overall improvement of the control environment in the areas reviewed, when compared to 2007/08.

All audit reports are routinely followed up, to determine whether agreed audit recommendations have been suitably addressed. In September 2008, all agreed recommendations made in audit reports issued between July 2007 and June 2008 were followed up. The Audit Committee were subsequently informed that all 17 agreed recommendations had been suitably addressed. No subsequent follow-up work has been carried out.

No formal effectiveness review of our processes against the CIPFA Code of Practice for internal audit in local government has been carried out. However, the Audit Manager, is broadly satisfied that internal audit still complies with the latest CIPFA Code of Practice.

To obtain customer feedback on the Internal Audit service provided, an end of year questionnaire was sent to the Directors, Chief Executive and Members of the Audit Committee, as our main stakeholders. The feedback received indicates the auditors continue to provide a useful role, which adds value to MBDC.

Information from the audit reviews undertaken; the follow up of agreed audit recommendations; and other assurance statements obtained enabled the Audit Manager to issue an opinion that the overall adequacy and effectiveness of Mid Bedfordshire District Council Internal Control

Environment continues to be “Satisfactory.”

- **Other explicit reviews / assurance mechanisms**

Other assurance mechanisms include the annual Direction of Travel report from external auditors and included within the Audit and Inspection Letter presented to Members. The 2007/08 report was positive and highlighted no significant issues of concern in respect of the performance of the authority.

### **Corporate Governance Arrangements**

Mid Beds District Council is committed to having sound Corporate Governance arrangements. A Local Code of Governance both approved and displayed on the Mid Bedfordshire District Council web site assists in achieving this aim.

Senior Officers met in September 2008 and January 2009 to score our governance arrangements against a CIPFA / SOLACE checklist. This checklist includes risk management and internal control, and an action plan is noted to deal with any issues identified. Officers concluded that there is a strong regulatory framework of control, with robust arrangements for monitoring and review. The results noted on the checklist were reported to Management Team and then onto the Audit Committee (who oversee governance arrangements) prior to being published on the Mid Bedfordshire District Council website.

As part of the assurance process, relevant Officers prepared “Significant Partnership Assurance Statements”. This required Officers to indicate whether satisfactory governance arrangements were in place. These assurance statements were prepared by appropriate Officers and endorsed by the relevant Director or Member, to indicate that the statement contents agreed with their knowledge. Action plans were recorded to address any issues identified as part of the assurance statement process.

The governance arrangements for all four significant partnerships were reported as “Satisfactory”.

However, detailed information about the governance arrangements of these significant partnerships has not been obtained to confirm statements made are accurate.

### **Corporate Risk Management Arrangements**

The Council has designated the Chief Executive, Deputy Chief Executive, four Directors and the Chief Finance Officer as its Management Team. Part of the function of Management Team is to identify Corporate Risks; to review the Corporate Risk Register on a quarterly basis; to agree risk scores and actions where required to reduce the risks to an acceptable level. The risk register results were reported to the Audit Committee (who oversee risk arrangements) prior to being published on the Mid Bedfordshire District Council website.

The Corporate Risk Register was reviewed three times during the year (June, September and December 2008) and the scores awarded were appropriate to the risks identified. The fourth review, planned for the end of March 2009 did not occur, as it was determined to be of little benefit, due to the fact that Mid Bedfordshire will cease after 31<sup>st</sup> March 2009.

These Risk Management arrangements enabled a Corporate Risk Assurance Statement to be issued. This indicated: - that all significant risks have been identified; and the scores awarded were appropriate to the risks identified. There were no Corporate Risks identified (at any time) that were awarded a residual score that needed urgent action to reduce the risk to an acceptable level. This Corporate Risk Assurance Statement has been further strengthened, by obtaining the endorsement of the Leader of the Council, to indicate that the statement content agrees with her knowledge.

The risks of our significant partnerships failing are recorded on the Corporate Risk register. All were reported to be at low risk of failing during the year.

As part of the assurance process, relevant Officers prepared "Significant Partnership Assurance Statements". This required Officers to indicate whether satisfactory risk management arrangements were in place. These assurance statements were prepared by appropriate Officers and endorsed by the relevant Director or Member, to indicate that the statement contents agreed with their knowledge. Action plans were recorded to address any issues identified as part of the assurance statement process.

The risk management arrangements for all our significant partnerships were reported as "Satisfactory", apart from the Beds Community Safety Partnership. Officers have indicated that satisfactory arrangements will be put in place, post March 2009 for the new partnership.

### **Operational Risk Management Arrangements**

The Deputy Chief Executive, four Directors and the Chief Finance Officer were able to issue Operational Risk Assurance Statements. This was a result of operational risk registers being in place for service areas. They confirmed that the risk registers had been reviewed at least twice during the year, and the scores awarded are appropriate to the risks identified. They gave an assurance that all significant operational risks for which they are responsible have been identified and recorded in operational risk registers.

Any Operational risks that were awarded a residual score of 7, 8 or 9 (any time during the year) were identified, together with actions taken or proposed, to reduce the risk to an acceptable level. In addition, such risks were reported to Management Team with the Corporate Risk Register, so they are aware, and can monitor / ensure that appropriate action is taken to reduce the identified Operational risk(s) to an acceptable level. The Operational Risk Assurance Statements have been further strengthened, by obtaining the endorsement of the relevant Portfolio Holders, to indicate that the statement contents agree with their knowledge.

## **Internal Control Arrangements**

The Deputy Chief Executive, four Directors and the Chief Finance Officer completed Internal Controls “Service” Assurance Statements. This was achieved by Officers carrying out a “Service” Assurance Assessment of Internal Controls.

In some Directorates, more than one service assurance statement was produced. The vast majority of these statements indicated a “High” assurance rating was determined. This helps indicate that appropriate internal controls were in place and were operating to reduce significant operational risks, to an acceptable level. There were only two areas e.g. Environmental and Planning; and Customer Services, where only a “Medium” assurance rating was determined.

Where appropriate, actions taken or proposed to resolve identified control issues have been recorded on these assurance statements. For example, within the Finance area, concerns were raised about IT and Office inventory records, given the high levels of activity in these areas concerning the implementation of Central Bedfordshire. Finance Officers recommended that physical inventory checks be carried out to ensure that the new authority has an accurate record of the assets transferred to it. In view of the practical difficulties due to local government re-organisation, the Chief Finance Officer has determined a 10% check be carried out prior to 31<sup>st</sup> March 2009. These Internal Control “Service” Assurance Statements have been further strengthened, by obtaining the endorsement of the relevant Portfolio Holders, to indicate that the statement content agrees with their knowledge.

## **Director of Corporate and Democratic Services**

The Director of Corporate and Democratic Services (the ‘Monitoring Officer’) has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. A comprehensive review of the Constitution occurred during 2004/05, following detailed consideration by an Overview and Scrutiny Task Force. A further review was conducted during 2005/06 to consider whether revised political management structures had achieved the aims set in amending the Constitution. As a result of the review some further amendments were approved for implementation during 2006/07 including increasing the number of independent persons serving on the Ethics and Standards Committee and making provision for the Committee to be chaired by one of the independent persons. The Constitution remains under constant review with reports recommending revisions being submitted to the Council as necessary.

Members/Senior Officers have access to appropriate training to ensure continued development and support of their needs.

The Monitoring Officer is of the opinion that arrangements for Mid Beds District Council to be in compliance with established policies, procedures, laws and regulations were “Satisfactory” and operated throughout the financial year.

This assessment is based upon the annual report issued to the Ethics and Standards Committee, other documentation relating thereto in respect of Ethical issues for the Municipal year, and personal knowledge.

### **Chief Finance Officer**

The Chief Finance Officer (the s151 Officer) has a duty to make suitable arrangements for the proper administration of the financial affairs of the Council. This is achieved via Financial Procedure and Procurement Procedure rules, which all Officers and Members of the Council have a responsibility to adhere to. These rules were fully updated in June 2006 in line with the CIPFA model, with minor changes being made during 2007/08, for operational reasons. These rules provide a strong control environment, which Officers continue to follow. No significant breaches of these rules occurred during the year. Technical breaches did occur, but none warranted disciplinary action being taken.

The latest "Use of Resources" assessment, and personal knowledge enabled the s151 Officer to issue the following statement to the Council: - that the financial accounting and reporting arrangements for Mid Beds District Council were "satisfactory" throughout the financial year. The arrangements to plan and manage its finances for Mid Beds District Council were also "satisfactory" throughout the financial year. In addition, the arrangements to safeguard the financial standing for Mid Beds District Council was "satisfactory" throughout the financial year. The internal control environment for Mid Beds District Council was "satisfactory" throughout the financial year, to enable it to manage its significant business risks.

### **Corporate Policy Manager**

The Corporate Policy Manager is of the opinion that "Value for Money" arrangements were "Satisfactory". This assessment is largely based upon the latest Use of Resources (VFM) assessment, whereby a scored judgement of 2 was assessed by the external auditors, and the "good" outcome of the Council's 2007 comprehensive performance assessment.

Also, performance reporting arrangements were "Satisfactory" throughout the financial year. This assessment is based upon the production of regular performance reports, the ongoing use of Actuate software i.e. PBViews to monitor performance; an unqualified audit opinion for the Council's best value performance plan and performance indicators; and an adequate score for the external audit of the Council's data quality arrangements.

The Council has in place a Policy and Performance Improvement team, who monitor and regularly report performance achieved to Members and Management Team against targets set. Members and Managers have confidence in the accuracy of data being reported to them. The Audit Commission's annual audit of data quality showed that management systems were adequate, with no performance indicators reserved or qualified.

Systematic monitoring and review of performance is firmly embedded. Evidence lies in:-



*Routine quarterly performance reports to Scrutiny committee, Management Team/CMG;*

*Comprehensive service planning, linked to the budget;*

*Performance, including targets, is discussed at team meetings;*

*Director/Portfolio Holder meetings;*

In 2008 the Audit Commission examination of "Use of Resources" concluded that the Council's arrangements, including value for money was adequate, scoring 2 out of 4.

## **Emergency Planning Officer**

The Emergency Planning Officer is of the opinion that the arrangements to comply with the Civil Contingencies Act, during the year were "satisfactory". This assessment is largely based upon personal knowledge, plans of capability, exercises and training arrangements in place, and positive feedback received from Elected Members.

Mid Beds Crisis Management plan was activated in 2008 for minor incidents – some examples include reacting to burst water mains, and a potential fuel dispute.

It was agreed at Management Team in April 2008 that in light of Local Government Reorganisation the existing arrangements would continue 'as is' until April 2009. Whilst there has been some reduction in numbers of trained Flood Team members, this was accepted in light of Local Government Reorganisation and is mitigated by the provision of mutual aid by the new Bedfordshire County Council flood team who will work under Mid Beds' direction.

The partnership arrangements within the Local Resilience Forum remain strong with good results on the government's 2008 National Capability Survey, and positive feedback from the Government Office when comparing across the East of England.

The controls put in place included:-

*Mid Beds' Crisis Management plan in place, last revised November 2007;*

*Divisional Business Continuity Plans in place, last revised July 2008;*

*Plans stored securely off-site with Emergency Contacts List (last revised January 2009), Next of Kin details and all officer home contact details updated (last revised July 2008 – technical problem with Snowdrop being resolved to provide final update);*

*39 Officers issued with Mid Beds Crisis Management Plan;*

*Ten trained 1<sup>st</sup> Responders;*

*Ten trained members of Flood Team, last trained and exercised November 2008;*

*Briefing to Elected Members at Full Council June 2008;*

*Plans last exercised in November 2008 (major Local Resilience Forum exercise);*

*BCM programme to April 2009 signed off by Management Team in April 2008. This included approval of updated Business Impact Analysis and Business Continuity strategies for accommodation, Information Technology and contractors; and increasing cover under SunGard IT Disaster Recovery contract in light of Business Impact Analysis.*

### **External Audit**

Other assurance mechanisms include the annual Direction of Travel report from external auditors and included within the Audit and Inspection Letter presented to Members. The 2007/08 report was positive and highlighted no significant issues of concern in respect of the performance of the authority.

### **TO CONCLUDE**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by a group of senior officers and the audit committee, who conclude that a detailed plan to address weaknesses and ensure continuous improvement of the system is not required. The review of local government in Bedfordshire has determined that Mid Bedfordshire District Council will be superseded, as part of a new Authority Central Bedfordshire, to be set up from April 2009. Officers' attention and efforts during 2008/09 were targeted at creating sound governance arrangements for this new authority while ensuring that established systems operating in Mid Beds continued to function effectively in Mid Beds' final year.

## 5. SIGNIFICANT GOVERNANCE ISSUES

In last year's Annual Governance Statement, no significant governance issues were identified, where further improvements could be made to the control environment.

Following a review of our governance arrangements for 2008/09, the following significant control issues were identified, where areas of improvement are needed for the new Council:-

Ethical training for all staff needed.

Training for members of the Audit Committee in terms of role and responsibility is needed.

Risk Management training is appropriately aimed at all staff.

Governance arrangements to be defined and implemented.

No action plan is shown for the governance issues identified above, as it felt inappropriate to record actions for a new Council to implement. Instead, these issues are shown for the new Council to consider and action as deemed necessary.

P Turner MBE  
Leader

J Salisbury  
Chief Executive

Dated

Dated

## GLOSSARY OF ACCOUNTING TERMS

<b><i>Accrual</i></b>	Expenditure or income of goods or services that have been received or supplied, but are not invoiced until the following financial year.
<b><i>Actuarial Gains or Losses</i></b>	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: (a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), and (b) The actuarial assumptions have changed.
<b><i>Balances</i></b>	Accumulated surpluses in hand, which are held to meet expenditure pending the receipt of income, and provide a cushion against expenditure being higher or income lower than expected.
<b><i>Capital Expenditure</i></b>	Expenditure on the acquisition of a fixed asset, or which adds to and not merely maintains the value of an existing fixed asset.
<b><i>Capital Receipt</i></b>	Proceeds from the disposal of buildings or other assets, which cannot be used to finance normal day-to-day revenue spending.
<b><i>Cash - flow</i></b>	Literally the amount of cash flowing into or out of an Organisation during a specific period of time.
<b><i>Contingent Liability</i></b>	A contingent liability is either: (a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or (b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
<b><i>Corporate and Democratic Core</i></b>	Corporate and democratic core comprises of all the activities, which local authorities engage in specifically because they are all elected, multi – purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.
<b><i>Current Service Cost (Pensions)</i></b>	The increase in the present value of a defined scheme's liabilities expected to arise from employee service in the current period.

<b>Creditor</b>	Individuals or Organisations to <i>whom</i> the Council owes money.
<b>Debtor</b>	Individuals or Organisations <i>who</i> owe the Council money.
<b>Defined Benefit Scheme Depreciation</b>	<p>A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (included notionally funded).</p> <p>The measure of the cost, or the latest value of the benefits of the fixed asset that have been consumed during the period.</p> <p>Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, the passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.</p>
<b>Discretionary Benefits</b>	Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.
<b>Expected Rate of Return on Pension Assets</b>	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
<b>Fixed Assets</b>	Tangible assets that yield benefits to the Council for a period of more than one year.
<b>Government Grants</b>	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority,
<b>Impairment</b>	Impairment occurs where the recoverable amount of a fixed asset is lower than the carrying value amount. The recoverable amount is the higher of net realisable value (i.e. what the asset can be sold for) and value in use (i.e. value to the business of using the asset to provide services, expressed as net present cash flows). Value in use is not a meaningful concept in local authorities, where fixed assets are acquired to provide a range of services and the benefits cannot be expressed in cash flow terms. The carrying value is the net book value of the asset.

**Leases – Finance**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90 per cent or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit in the lease. However, where the present value of the minimum lease payments does not amount to 90 per cent or more of the fair value of the lease asset, it should not be automatically assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an Asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than the legal title) to the lessee.

**Leases – Operating**

A lease other than a finance lease.

**Past Service Cost**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Precept**

An amount determined by another local authority, police and fire authority (*the major preceptors*), and a parish council or meeting, which is collected on its behalf by the District Council (*the charge authority*) as part of the Council Tax. The precept is allocated between the major preceptors and the charging authority on the basis of their spending requirements in relation to the charge authority's Council Tax base.

**Prepayments (Payments in Advance)**

Sums paid out in one financial year for the benefit of a future period.

**Provision**

Amounts set aside for any liabilities or losses which are likely to be incurred, but are uncertain as to the amounts or dates on which they will arise.

**Related Parties Transactions**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- 1) the purchase, sale, lease, rental or hire of assets between related parties

- 2) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund
- 3) the provision of a guarantee to a third party in relation to a liability or obligation of a related party
- 4) the provision of services to a related party, including the provision of pension fund administration services
- 5) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

***Reserves***

Amount set aside for specific purposes falling outside the definition of provisions.

***Revenue Expenditure***

Day to day running costs incurred in providing services.

***Revenue Support Grant (RSG)***

A grant paid by Central Government to support Local Authority services in general, which is based on the Standard Spending Assessment.

***Rule of 85 Age***

The date on which the sum of-

- (a) the members age in whole years on the date his local government employment ends or the date he elects for payment, if later,
- (b) his total membership in whole years, and
- (c) in a case where he elects after his local government employment ends, the period beginning with the end of that employment and ending with the date he elects for payment or the date he elects for payment, equals 85 years.

The rule of 85 can be reached prior to age 60, however benefits can only be paid prior to the age 60 if the employer permits it. Therefore generally for all our calculations, we assume a minimum of age 60 for the rule of 85.

***Scheme Liabilities***

The liabilities of a defined benefit scheme for outgoings due after the valuation date.

***Settlement***

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump – sum cash payments to scheme members in exchange for their to receive specified pension benefits
- (b) the purchase of an irrecoverable annuity contract sufficient to cover vested benefits, and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Stocks**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale
- (b) consumable stores
- (c) raw materials and components purchased for incorporation into products for sale
- (d) products and services in intermediate stages of completion
- (e) long – term contract balances, and
- (f) finished goods

**Surplus**

Excess of income over expenditure, in a given time period, for a not for profit making organisation.