

# **SOUTH BEDFORDSHIRE DISTRICT COUNCIL**

## **STATEMENT OF ACCOUNTS 2008/09**

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## EXPLANATORY FOREWORD

### **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.

In March 2008, the Government announced its decision to create two unitary authorities in Bedfordshire to replace the current two tier system. These changes were given effect by the Bedfordshire (Structural Changes) Order 2008, which abolished Bedfordshire County Council, Mid Bedfordshire District Council, and South Bedfordshire District Council. From 1 April 2009, as a continuing authority, Bedford Borough Council took over the services and operations of the County Council in the Bedford geographical area of the country. In the Mid Bedfordshire and South Bedfordshire areas of the county, all local government services and operations will be provided by the newly established Central Bedfordshire Council.

As a result of reorganisation, additional costs have been incurred by the Council in 2008/09, and these are explained in notes to the financial statements. The implications of reorganisation are also referred to in a number of other areas of the statement.

The format of this document complies with that recommended by the Chartered Institute of Public Finance and Accountancy in its Code of Practice on Local Authority Accounting in the United Kingdom (2008).

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

The **Explanatory Foreword** sets out a comparison in summary form of the Council's General Fund and Housing Revenue Account and provides a brief explanation of any significant variation. The breakdown of revenue expenditure for both the General Fund and the Housing Revenue Account will not correspond precisely to that shown in the full statements themselves, as the statements are set out in specific Financial Accounting formats prescribed by the Statement of Recognised Practice (SORP) whereas the summaries in the Explanatory Foreword are compiled on a Management Accounting basis. A statement of capital expenditure, and the sources of finance is also shown.

The **Statement of Accounting Policies** describes the main principles used in maintaining the Council's accounts.

The **Income & Expenditure Account Summary** reports the net cost for the year of all the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from taxpayers. As this is the last year of operation of South Beds, the Income and Expenditure Account shows all income and expenditure as "Discontinued Operations/Services."

The **Statement of Movement on the General Fund Balance** lists the 'other' elements, in addition to the movement on the Income and Expenditure Account, that contribute to the year on year changes to the General Fund Balance.

The **Statement of Total Recognised Gains and Losses (STRGL)** lists the 'other' elements, in addition to the gains and losses realised in the Income and Expenditure Account, that contribute to the overall financial result for the period.

The **Balance Sheet** shows the value of the Council's assets, its overall indebtedness to others, and the state of its reserves.

The **Cash Flow Statement** summarises the inflows and outflows of cash arising from transactions with other organisations, individuals and other third parties for revenue and capital purposes.

The **Housing Revenue Account Summary** shows the Council's expenditure and income for the provision of Council housing only, which is controlled by legislation.

The **Collection Fund Revenue Account Summary** reflects the statutory requirement to maintain a separate Collection Fund. It shows the transactions in relation to non-domestic rates and council tax and illustrates how these have been distributed between the County Council, the Police Authority, the Fire Authority and South Bedfordshire District Council.

The **Statement of Responsibilities for the Statement of Accounts** outlines the authority's and the responsible finance officer's responsibilities when preparing the accounts.

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

### **Further Information**

Additional information about these accounts is available from the Director of Corporate Resources, Central Bedfordshire Council, Priory House, Monks Walk, Chicksands, Shefford SG17 5TQ. This reflects the Council's policy of providing as much information as possible about the conduct of its affairs. In addition, members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts for this inspection is advertised each year in the local press.

## Revenue Expenditure for 2008/09

For 2008/09 the net expenditure on services on the General Fund Revenue Account was £15,320 million. This was £0.587m less than the original estimate upon which the council tax was based, as shown in the table below.

	<u>Original</u> <u>Estimate</u> £m	<u>Actual</u> £m	<u>Difference</u> £m
Net Expenditure on Services	15.906	15.319	(0.587)
Local Authority Business Growth Incentive Scheme	-	0.288	0.288
Parish precepts	4.213	4.213	-
LGR Transition Costs	-	0.686	0.686
Total net expenditure	<u>20.119</u>	<u>20.506</u>	<u>0.387</u>
<u>Less</u>			
Council Tax Levy	(11.076)	(11.076)	-
Revenue Support Grant	(1.070)	(1.070)	-
Local Authority Business Growth Incentive Scheme	-	(0.288)	(0.288)
Contribution from National Non-Domestic Rate Pool	(7.689)	(7.689)	-
Collection Fund Surplus	-	-	-
Contribution from (-)/to balances	(0.284)	(0.383)	(0.099)
Total	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>

As at 31st March 2009, after meeting transition costs associated with implementing Central Bedfordshire, the General Fund Revenue Account has a balance of £927,000 which will transfer to Central Bedfordshire.

## **Variance Analysis 2008/09 Original Budget/Actual**

	<b>Variance</b> <b>£,000</b>
Litter & Street Cleaning - Increased Costs	49
Industrial Estates - Reduced Income	76
Development & Building Control - Reduced Income	219
Concessionary Fares - Adjustment re: 2007/08 expenditure	(78)
Housing Benefits - Increased subsidy from 2007/08	(361)
Local Land Charges - Reduced Income	172
Pension Costs - Reduced contribution rate	(139)
Variances on Corporate Costs and Targets	283
Homelessness - increased costs	100
Financing Adjustments	(271)
Council Tax Court Costs- Increased Income	(33)
Increased Investment Income	(126)
Reduced cost of Rural Lighting	(52)
Housing Improvement Grant - Increased Govt Grant	(190)
Other variances	(236)
<b>Net Expenditure on Services - Total Variance</b>	<b>(587)</b>

## **2008/09 Housing Revenue Account**

For 2008/09 the expenditure and income on the Housing Revenue Account (HRA) was £20.05m and £20.58m respectively which gave rise to a £0.48m variation to the original 2008/09 budget as set out below:

	Original Estimate £m	Actual £m	Difference £m
Expenditure	20.48	20.05	(0.43)
Income	<u>(20.53)</u>	<u>(20.58)</u>	<u>(0.05)</u>
Balance	(0.05)	(0.53)	(0.48)
Contribution to HRA balances	<u><u>(0.05)</u></u>	<u><u>(0.53)</u></u>	<u><u>(0.48)</u></u>

The main variations from the original budget are:

	£'000
Reduced consultation costs	(42)
Removal of vacancy target re staffing costs	60
Lower than anticipated Supporting People Grant income	37
Reduced rental income at the Homeless Hostel	55
Additional expenditure re agency staff	47
Reduced expenditure re Choice Based Lettings	(60)
Additional expenditure re Community Alarm Console	66
Reduced expenditure re void properties	(268)
Reduced interest income	117
Increase in required bad debt provision	119
Increased payment to DCLG re Housing Subsidy	70
Variation to dwelling rents	(407)
Reduced income as a result of void housing rent loss	302
Removal of revenue contribution to capital	(343)
Reduced expenditure on recharges	(152)
Other variations	(81)
Total variation Housing Revenue Account 2008/09	<u><u>(480)</u></u>

As at 31st March 2009 the Housing Revenue Account had a balance of £4.04m available to assist with future years expenditure.

## **Capital Expenditure for 2008/09**

For 2008/09 the Council spent £9.49m on capital projects. This is expenditure which in simple terms will benefit the authority for more than one year, and is closely defined in the Local Government Act 2003 and regulations made under that Act. This amount relates to the following areas of activity:-

<u>General Fund Revenue Account:-</u>	£'000
Disabled Facilities and Renovation Grants	561
Housing Association Assistance	994
Leisure Projects	249
Rural Projects	22
Environmental Schemes	529
Policy Projects	974
	<u>3,329</u>

This expenditure was financed as follows:	£'000
Reserves	304
Use of Capital Receipts	2,377
Grants	648
	<u>3,329</u>

<u>Housing Revenue Account:-</u>	£'000
Land	27
Houses	6,073
Other Property	64
	<u>6,164</u>

This expenditure was financed as follows:	£'000
Use of Capital receipts	2,583
Revenue Contributions	28
Major Repairs Allowance	3,553
	<u>6,164</u>

Total Capital Expenditure	<u>9,493</u>
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As at 31 March 2009 the Council had a total of £3.1m available as usable capital receipts to finance future capital expenditure.

#### Future Capital Expenditure Plans

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
<b>Expenditure</b>					
General Fund	5,977	1,945	1,313	1,257	10,492
HRA	5,686	4,900	5,006	5,129	20,721
Total	<u>11,663</u>	<u>6,845</u>	<u>6,319</u>	<u>6,386</u>	<u>31,213</u>
<b>Funded by:</b>					
Reserves		-	-	-	-
Government Grant	3,231	220	220	220	3,891
Capital Receipts	3,901	2,530	1,919	1,900	10,250
Revenue Contributions	413	413	413	413	1,652
Major Repairs Allowance	3,601	3,682	3,767	3,853	14,903
Supported Borrowing	517	-	-	-	517
Total	<u>11,663</u>	<u>6,845</u>	<u>6,319</u>	<u>6,386</u>	<u>31,213</u>

From 1 April 2009 onwards, the capital expenditure plans for South Bedfordshire District Council have been incorporated into the capital programme of the new Central Bedfordshire Council.

## **Acquisition and Disposal of Fixed Assets**

During 2008/09 the Council acquired one housing property and disposed of four houses under the Right to Buy legislation. Negotiations were concluded in 2008/09 regarding easement rights over land in Leighton Buzzard and £1.25 million was received. In addition, a small amount of land held within the Housing Revenue Account was sold for housing development purposes.

## **Impairment of Fixed Assets**

Due to the current economic climate, it has been necessary to carry out an impairment review of the Council's assets as at 31st March 2009. As such, impairment losses totalling £56.685m have been recognised in the Income and Expenditure Account during 2008-09, where these are in excess of the accumulated revaluation gains held within the Revaluation Reserve.

## **Borrowing**

No new borrowing took place in 2008/09.

## **The Pension Fund**

There is a substantial deficit on the Council's share of the Pension Fund, administered by Bedfordshire County Council (Bedford Borough Council from 1 April 2009). Contribution rates were 24.4 % of pensionable pay for 2008/09 a reduction from 26% for 2007/08. The level of deficit increased from £24.4m as at 1 April 2008 to £31.9m as at 31 March 2009. The contributions rates for 2009/10 for Central Bedfordshire Council will be 21.9%.

The deficit represents the difference between the actuarial assessment of the liabilities (pensions due assuming average life spans for pensioners) of the fund with the estimated assets and future income. This "full funding" requirement was introduced in the late 1990's having been relaxed in the late 1980's.

## **Changes to the Accounts in 2008/09**

The term "deferred charges" has been replaced as a description by 'revenue expenditure funded from capital under statute'.

## **Statutory Functions**

There have been no changes to the statutory functions of the authority.

I confirm that these accounts were approved by the Audit Committee at the meeting held on 27 July 2009

Signed on behalf of Central Bedfordshire Council:

David Lawrence  
Chair of the Audit Committee:

Clive Heaphy,  
Director of Corporate Resources  
Section 151 Officer

Date ..... 2009

Date .....2009

## **STATEMENT OF ACCOUNTING POLICIES**

### **General**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice (SORP).

### **Concepts**

These accounts have been prepared in accordance with all the prevailing concepts of accruals and going concern, together with relevance, reliability, comparability, understandability and primacy of legal requirements as set out in FRS18.

South Beds was replaced by Central Bedfordshire Council unitary authority on 1st 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.

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

#### **Customer and Client Receipts**

Customer and client receipts, in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate.

#### **Employee Costs**

The full cost of employees are charged to the accounts in the period within which the employees worked.

#### **Interest**

Interest payable on external borrowings and interest income is accrued and accounted for in the period to which it relates.

#### **Supplies and Services**

The cost of supplies and services are accrued and accounted for in the period in which they were consumed or received.

### **Estimation Techniques**

Estimation Techniques are methods adopted by the authority to arrive at an estimated monetary amount, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at using an estimation technique.

### **Contingent Liabilities/Assets**

A contingent asset is:

a) A probable inflow of a receipt or economic benefit arising from past events that cannot be measured with sufficient reliability.

A contingent liability is:

- a) A possible obligation arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control; or
- b) A present obligation arising from past events but is recognised because it is unknown if a transfer of economic benefit will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent item is not recognised within the accounts but is disclosed as a note to the balance sheet.

### **Intangible Assets**

Intangible assets represent expenditure which may be properly capitalised but which is not represented by tangible fixed assets. It usually relates to expenditure incurred on software.

### **Recognition**

All expenditure on the cost, acquisition or enhancement of intangible assets is capitalised on an accruals basis in the accounts, provided that:

- a) the asset yields benefits to the Authority and other external service users for a period of more than one year from the date of expenditure incurred, and
- b) the expenditure incurred in respect of the individual asset exceeds £10,000.

Exceptions to the above policy will only be allowed in the case where expenditure incurred on individual assets is less than £10,000 but:

- i) the individual items have a useful life of more than one year;
- ii) the expenditure incurred is in respect of periodical, recurring spending, and
- iii) the aggregate expenditure incurred on the acquisition, replacement or enhancement of all such assets is in excess of £10,000 within the financial year.

### **Measurement**

Intangible assets are capitalised at their cost.

### **Disposal**

Any gain or loss on the disposal of an intangible asset is credited or charged to the Income and Expenditure Account on an accruals basis. This is achieved by crediting this account with the sale proceeds and debiting that account with the value shown within the balance sheet as at the 1 April. These two entries are then reversed out of the Income and Expenditure Account via the Statement of Movement on the General Fund Balance such that the sale proceeds are taken to the Capital Receipts Reserve and the balance sheet value to the Capital Adjustment Account.

### **Impairment**

Where an impairment loss on an asset occurs, the loss is charged to the revenue service account if it is caused by clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset).

### **Charges to Revenue**

General Fund and HRA services and central support services are charged with a provision of amortisation and where required any related impairment loss, for all intangible assets used in the provision of the service. This amount will be determined based on a straight line charge over the economic benefit the asset provides to services.



## **Fixed Assets**

### **Recognition**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that:

- a) the asset yields benefits to the Authority and service users for a period of more than one year from the date of expenditure incurred, and
- b) the expenditure incurred in respect of the individual asset exceeds £10,000.

Exceptions to the above policy will only be allowed in the case where expenditure incurred on individual assets is less than £10,000 but:

- i) the individual assets have a useful life of more than one year;
- ii) the expenditure incurred is in respect of periodical, recurring spending on the acquisition, replacement or enhancement of assets necessary to maintain or improve ongoing delivery of services, and
- iii) the aggregate expenditure incurred on the acquisition, replacement or enhancement of all such assets is in excess of £10,000 within the financial year.

### **Measurement**

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Assets Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). The balances have been restated on the following basis:-

- a) Land and operational properties are included in the balance sheet on the basis of existing use value
- b) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet on the basis of market value.
- c) Infrastructure assets are included in the balance sheet at depreciated replacement cost.
- d) Community assets are not depreciated and are included in the balance sheet at historical cost.
- e) Vehicles, plant and equipment assets are included in the balance sheet at historical cost.

### **Revaluations and Impairment**

Where an asset is included in the balance sheet at current value it is formally re-valued on an annual basis and the revised amount included in the balance sheet. Where there is a difference between the value in the balance sheet, that difference in value is charged to the Revaluation Reserve where a balance on the revaluation reserve exists, otherwise it is written off to the Income and Expenditure account.

Where an impairment loss on a fixed asset occurs, the loss is charged to the revenue service account if it is caused by clear consumption of economic benefit (e.g. physical damage or deterioration in the quality of the service provided by the asset). Other impairments (reflecting a general reduction in value) are recognised in the Revaluation Reserve.

## **Disposals**

Any gain or loss on the disposal of a tangible asset is credited or charged to the Income and Expenditure Account on an accruals basis. This is achieved by crediting this account with the sale proceeds and debiting that account with the value shown within the balance sheet as at the 1 April. These two entries are then reversed out of the Income and Expenditure Account via the Statement of Movement on the General Fund Balance such that the sale proceeds are taken to the Capital Receipts Reserve and the balance sheet value to the Capital Adjustment Account. Income from the disposal of fixed assets is credited to the usable capital receipts reserve.

Under the 'pooling regime' introduced in 2004/05, 25% of housing sale capital receipts are retained and 50% of 'other housing' assets sales are retained. The remainder is paid back to the Government (shown in the Income & Expenditure Account).

When usable capital receipts are applied to finance new capital expenditure, the relevant amount will be transferred to the Capital Adjustment Account.

## **Depreciation**

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:-

- a) Under FRS 15 the authority is required to depreciate operational buildings over an estimated useful life.
- b) Newly acquired assets are depreciated from the year after the year of acquisition. Assets in the course of construction are not depreciated until they are brought into use.
- c) A full years depreciation is charged in the year of disposal.
- d) Depreciation is calculated using the straight-line method.
- e) Depreciation is based upon the following asset lives;
  - operational buildings (including non-dwelling HRA assets)  
Up to 50 years depending on the expected life of each asset
  - vehicles and plant  
Varying periods according to useful life
  - council dwellings  
60 years

## **Government Grants and Contributions**

Government grants and other contributions are accounted for and recognised in the accounting statements when the conditions for their receipt have been complied with.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution used to acquire the asset is credited to the government grants deferred account and written off to the revenue service account over the useful life of the asset to match the depreciation of the asset to which it relates.

## **Investments**

The investments shown in the Balance Sheet comprise of temporary investment of surplus cash with financial institutions. The temporary investments are shown at cost.

## **Leases**

The Council has acquired equipment and vehicles by means of operating leases.

Rentals payable under operating leases are charged to revenue on a straight line basis, though lease cars are on an accruals basis.

## **Overheads**

The following support services are recharged on the basis of a Service Level Agreement:-

Accountancy,  
Audit,  
Cashiers,  
Information and Communication Technology,  
Exchequer Services,  
Finance Administration (part),  
Legal,  
Human Resources (General and Training).

The remaining support services are fully allocated during the year, using a computerised allocation process. A variety of bases are used for this process, but the majority of the costs are allocated on the basis of employee time.

The costs of Non Distributed Costs, Democratic Representation and Corporate Management are allocated to a separate cost centre heading and are not apportioned to any other service heading.

## **Pension Costs**

The pension costs that are charged to the Council's accounts in respect of its employees have previously been equal to the contributions paid to the defined benefit funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees which are met by the Council on an unfunded basis again on the basis of contributions paid to the scheme.

These costs were determined on the basis of contribution rates that were set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations. The Council did not comply with the accounting requirements of SSAP 24, 'Accounting for Pension Costs' and the liabilities included in the balance sheet were therefore understated in respect of pension costs. In accordance with standard accounting practice for local authorities, the additional costs that it would have been necessary to provide for in the accounts for the period under SSAP 24 were disclosed by way of a note to the accounts.

The council has now moved to a full implementation of FRS 17 'Retirement Benefits' so that it recognises the council's share of the fund net assets and liabilities plus a pension reserve in the Balance Sheet plus entries in the Income & Expenditure Account for changes to those assets and liabilities relating to defined benefit schemes. Appropriate adjustments are made so as to ensure that the sum required for funding by the council tax is equal to the actual contribution paid to the fund, as previously.

The previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to pensioners for which the council was directly responsible. The new policy better reflects a commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

This change has had the following effects on the results for 2008/09:

- the overall amount to be met from Government Grants and local taxation has remained unchanged, but the costs disclosed for individual services are higher after the replacement of employers contributions by current service costs and Net Operating Expenditure is therefore also higher than it would otherwise have been.
- the requirement to recognise the net pensions liability in the balance sheet has increased the reported net liability by £7.5m to £31.9m.

### **Provisions**

Provisions are established for the purpose of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise (or both).

The Council has established a number of provisions and an explanation of these are set out in note 24 on page 30.

### **Bad Debt Provisions**

The carrying amount of debtors, disclosed on the face of the balance sheet, is shown net of bad debt provisions, as set out in note 19 on page 28. These are provided for, and known uncollectable debts are written off against them.

### **Earmarked Reserves**

Reserves are also established and may be raised to either meet payments estimated to fall due in the early part of the next financial year before that year's revenues are available, or to meet expenditure which will be incurred in any subsequent year in performing the authority's functions.

The Council has established a number of reserves and an explanation of these are set in note 25 on page 30.

### **Stocks and Work in Progress**

Work in progress is measured at the lower of cost or net realisable value.

Stocks and stores held at the year end are included in the accounts at average price, less any reserve for slow moving and obsolete stock.

### **Value Added Tax**

VAT is included in income and expenditure accounts, whether of a capital or a revenue nature, only to the extent that it is irrecoverable.

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

These relate to items of expenditure that the authority gains no economic benefit from. For 2008/09 these are in the form of improvement grants, housing association support and support for the Riverside Walk project within the Ouzel Valley Park. As they are written off to revenue in the year the grant is awarded, no balances will be shown on the Balance Sheet

## **Financial Instruments**

The council has identified the following categories of financial instruments:

Borrowing  
Investments  
Soft Loans  
Financial Guarantees

These instruments will be accounted for in accordance with the following principles:

### **Borrowing**

Financial liabilities arising from borrowings are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the loan. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing would be credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The fair value of loans is shown in a note to the Statement of Accounts only where this is materially different to the carrying amount as stated in the Balance Sheet.

### **Investments**

The fair value of investments is shown in a note to the Statement of Accounts only where this is materially different to the carrying amount as stated in the Balance Sheet.

The fair value has been determined by calculating the net present value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

Where discount rates have been used they are market rates available on 31 March 2009.

The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable counterparty. This is the rate applicable in the market on the date of the valuation, for an instrument with the same duration i.e. equal to the outstanding period from the date of valuation to maturity.

Investments in the balance sheet as at 31 March 2009 include accrued interest as at the sheet date.

## **Soft Loans**

These are loans that the Council may make for policy reasons at an interest rate below the market rate for that type of loan. Where this occurs they are accounted for on a fair value basis. The fair value is the present value of future receipts discounted using the prevailing interest market interest rate for a similar loan and for an organisation with a similar credit rating. The impact of these loans is assessed annually.

Where material the difference between cash lent and the fair value is charged against the relevant service and as the loan is repaid the increased fair value of the loan is credited to the service, giving a neutral effect over the term of the loan.

Where the debt or loan is of a statutory nature, interest is charged at a deemed to be commercial rate. Where the difference between the fair value and the cash lent is immaterial no adjustment is made.

When assessing the impact of soft loans the interest rate on the loan is compared to the prevailing rate for a similar loan with the same remaining life to calculate the fair value.

## **Financial Guarantees**

As at 31 March 2009 the Council had given no financial guarantees.

## **Prior Period Adjustments**

Prior period adjustments are the correction of fundamental errors or changes to accounting policies. Material adjustments applicable to prior periods are included in the accounts by restating comparatives for previous period and adjusting opening balances on reserves. In addition prior periods will be restated where not to do so could result in misleading comparisons being made, even if the errors or changes are not fundamental.

## **Post Balance Sheet Events**

Where a material post balance sheet event occurs which:

- Provides additional evidence relating to conditions existing at the balance sheet date; or
- Indicates that the application of the going concern concept to a material part of the authority is not appropriate;

Changes will be made in the amounts to be included in the statement of accounts.

## **Change in Accounting Policy**

There has been a change in the accounting policy for depreciation. Previously this was calculated by using the opening balance sheet value of an asset. For 2008/09, the average value of the asset was used in the calculation. No prior year adjustment was made for 2007/08 as it was not material.

## INCOME & EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day 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.

Net Exp. <u>2007/08</u> £'000		Expenditure <u>2008/09</u> £'000	Income <u>2008/09</u> £'000	Net Exp. <u>2008/09</u> £'000
2,294	Central Services to the Public	11,396	8,721	2,675
2,487	Cultural and Related Services	3,237	612	2,625
6,092	Environmental Services	8,326	1,551	6,775
3,006	Planning and Development Services	5,239	2,268	2,971
1,054	Highways, Roads & Transport Services	1,164	345	819
14,278	Local Authority Housing (HRA)	47,600	21,784	25,816
1,790	Other Housing Services	26,712	24,744	1,968
1,837	Corporate and Democratic Core	1,765	12	1,753
35	Non Distributed Costs	682	-	682
-	Exceptional costs of LGR (Note 1)	2,288	-	2,288
<b>32,873</b>	<b>Net Cost of Services</b>	<b>108,409</b>	<b>60,037</b>	<b>48,372</b>
2,805	Loss/(Gain) on the disposal of fixed assets			(1,333)
3,895	Parish Precepts			4,213
(367)	Trading Services (Note 2)			2,338
97	Interest payable and similar charges			172
	Contribution of Housing Capital Receipts to			
1,255	Government Pool			368
(130)	Other Income (unattached Capital Receipts)			(46)
(1,251)	Interest Receivable			(1,302)
	Area Based Grant			(19)
	Pension Interest Costs and Expected Return			
1,172	on Pension Assets (Note 27)			1,754
<b>40,349</b>	<b>Net Operating Expenditure</b>			<b>54,517</b>
(10,463)	Precept demanded from the Collection Fund			(11,076)
-	Transfer from the Collection Fund in respect of surpluses			-
(1,231)	General Government Grant			(1,092)
(859)	Local Authority Business Growth Incentive Scheme			(288)
(7,334)	Received from non-domestic rate pool			(7,689)
<b>20,462</b>	<b>(Surplus)/Deficit for the year</b>			<b>34,372</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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 difference 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.

The General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

<u>2007/08</u> £'000		<u>2008/09</u> £'000
20,462	Deficit for the year on the Income and Expenditure Account	34,372
(19,924)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see next page for details)	(33,989)
<b>538</b>	<b>(Increase)/Reduction in the General Fund Balance</b>	<b>383</b>
(1,848)	General Fund Balance brought forward	(1,310)
<u>(1,310)</u>	General Fund Balance carried forward	<u>(927)</u>



## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

### Note of reconciling items for the Statement of Movement on the General Fund

The following statement provides the detail behind the movement on the General Fund balance, analysed between those items that are either included or excluded by statute and non-statutory proper practices to be credited or debited to the General Fund Balance for the year.

<u>2007/08</u> £'000	<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>	<u>2008/09</u> £'000
	(459) Amortisation of intangible fixed assets	(653)
	(1,925) Depreciation and impairment of fixed assets	(5,953)
	102 Government Grants Deferred amortisation	374
	(653) Write downs of Revenue Expenditure Funded from Capital Under Statute to be financed from capital resources	(1,018)
	- Net (loss)/gain on sale of fixed assets	1,116
	130 Other Income ( Unattached Capital Receipts)	46
	(2,603) Net charges made for retirement benefits in accordance with FRS17	(3,375)
	<b>(5,408) Sub-total</b>	<b>(9,463)</b>
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the Year</b>	
	(92) Minimum revenue provision for capital financing	(44)
	180 Capital expenditure charged in-year to the General Fund Balance	294
	(1,255) Transfer from Usable Capital receipts to meet payments to the Housing Capital Receipts Pool	(368)
	Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,605
	<b>1,264 Sub-total</b>	<b>2,487</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 the year</b>	
	(16,451) Housing Revenue Account balance	(25,140)
	- Voluntary revenue provision for capital financing	-
	671 Net transfer to or from earmarked reserves	(1,873)
	<b>(15,780) Sub-total</b>	<b>(27,013)</b>
	<b>Net additional amount required to be credited to the General Fund balance</b>	
	<b>(19,924) for the year</b>	<b>(33,989)</b>

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)**

The Statement of Total Recognised Gains and Losses (STRGL) brings together all the recognised gains and losses of an authority when assessing the financial result for the period. FRS3 Reporting Financial Performance requires **all** gains and losses to be included in a Statement of Total Recognised Gains and Losses (STRGL) to be shown with the same prominence as the other primary statements.

<u>2007/08</u> £'000	<b>Movements</b>	<u>2008/09</u> £'000
20,462	(Surplus)/Deficit for the year on the Income and Expenditure Account	34,372
(23,970)	(Surplus)/Deficit arising on revaluation of fixed assets	12,304
(11,614)	Actuarial gain on pension fund assets and liabilities	6,743
(32)	Any other gains and losses required to be included in the STRGL	2
<b>(15,154)</b>	<b>Total recognised (gains)/losses for the year</b>	<b>53,421</b>
<b>Total Net Worth</b>		
(425,649)	As at 1st April	(440,803)
(440,803)	As at 31st March	(387,382)
<b>(15,154)</b>	Change in Net Worth	<b>53,421</b>

## BALANCE SHEET

The Balance Sheet summarises the financial position of the Council. It shows the value of the Council's assets and liabilities at the year-end.

<u>2007/08</u>	<u>2008/09</u>	<u>2008/09</u>
£'000	£'000	£'000
<b>Fixed Assets</b>		
1,033		1,001
391,114	354,889	
43,938	42,455	
1,405	1,319	
-	-	
273	568	
-		
477	63	
<u>13,905</u>	<u>11,012</u>	<u>410,306</u>
452,145		411,307
<b>Total Fixed Assets (Note 16)</b>		
7		7
61		52
<u>452,213</u>		<u>411,366</u>
<b>Total Long Term Assets</b>		
<b>Current Assets</b>		
19	22	
11,204	10,930	
17,881	12,613	
2	3	
310	908	24,476
<u>481,629</u>		<u>435,842</u>
<b>Total Assets</b>		
<b>Current Liabilities</b>		
-	-	
(11,109)	(11,718)	
-	-	(11,718)
<u>470,520</u>		<u>424,124</u>
<b>Total Assets less Current Liabilities</b>		
(1,938)		(1,938)
(743)		(518)
(2,620)		(2,346)
(24,416)		(31,940)
<u>440,803</u>		<u>387,382</u>
<b>Total Assets less Liabilities</b>		
<b>Financed by:</b>		
22,110		9,720
425,773		397,545
18		11
6,601		3,067
(24,416)		(31,940)
200		200
5,671		3,789
1,310		927
3,510		4,039
26		24
<u>440,803</u>		<u>387,382</u>
<b>Total Net Worth</b>		

## CASH FLOW STATEMENT

This statement summarises the inflows and outflows of revenue and capital cash arising from transactions with third parties. The Statement has been restated for 2007/08 (Note 28).

<u>Restated</u> <u>2007/08</u> £'000		<u>2008/09</u> £'000	<u>2008/09</u> £'000
	<b>Revenue Activities - cash outflows</b>		
16,911	Cash paid to and on behalf of employees	18,530	
31,725	Other operating costs (Note 28)	32,422	
9,381	Housing Benefit paid out	11,449	
37,115	NNDR Payments to National Pool	40,560	
1,255	Payments to Capital Receipts Pool	683	
58,549	Precepts paid	<u>62,103</u>	165,747
154,936			
(59,240)	Council Tax received	(61,590)	
(8,877)	Housing Rents received	(9,054)	
(28,400)	Benefit Subsidy received (Note 29)	(28,822)	
(1,479)	Other grants and subsidies (Note 29)	(2,407)	
(35,491)	NNDR received (net)	(40,529)	
(7,334)	NNDR pool contributions received	(7,689)	
(1,231)	Revenue Support Grant received (Note 29)	(1,070)	
	Other income from services:		
(6,800)	Cash received for goods and services	(6,055)	
(8,930)	Other revenue cash payments/income (Note 28)	<u>(9,265)</u>	(166,481)
(2,846)	<b>Revenue Activities net cash flow (Note 28)</b>		(734)
	<b>Servicing of Finance - cash outflows</b>		
86	Interest paid		124
	<b>Servicing of Finance - cash inflows</b>		
(832)	Interest received		(1,467)
(746)	<b>Net Servicing of Finance</b>		(1,343)
	<b>Capital Activities - cash outflows</b>		
	Capital expenditure		
6,477	Purchase of Fixed Assets	8,139	
835	Intangible assets	<u>1,058</u>	9,197
	<b>Capital Activities - cash inflows</b>		
(4,316)	Sale of fixed assets	(1,802)	
(1,480)	Capital grants received	(623)	
-	Government grant deferred		
(8)	Other capital cash payments/income	<u>(10)</u>	(2,435)
1,508	<b>Total Capital Activities</b>		6,762
(2,084)	<b>Net cash (inflow)/outflow before financing</b>		4,685
	<b>Management of Liquid Resources</b>		
	Net Decrease in Short Term Deposits		
2,549	Net Decrease in Other Liquid Resources (Note 31)		(5,284)
	<b>Financing - cash outflows</b>		
-	Repayments of amounts borrowed		-
-	Premia Paid		-
	<b>Financing - cash inflows</b>		
(646)	New loans raised (Note 31)		-
1,903	<b>Net cash (inflow)/outflow from financing</b>		(5,284)
(181)	<b>(Increase)/Decrease in cash (Note 30)</b>		(599)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Income & Expenditure Account

#### Exceptional Items - Local Government Reorganisation (LGR)

Exceptional Items are ones that are material in terms of the authority's overall expenditure and not expected to recur frequently or regularly. Exceptional items are shown on the face of the Income and Expenditure Account where they warrant a separate disclosure. As referred to below, Local Government Reorganisation costs have been treated as an exceptional item in 2008/09.

#### Discontinued Operations/Services

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

#### Local Government Transition Costs- Implementation of Central Bedfordshire Council

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

<b>Expenditure</b>	<b>£'000</b>
Employee Costs	6,096
Premises	24
Transport	12
Supplies & Services	5,994
<b>TOTAL EXPENDITURE</b>	<b>12,126</b>
<b>TOTAL INCOME- Grants</b>	<b>(388)</b>
<b>TOTAL TRANSITIONAL COSTS 2008/09</b>	<b>11,738</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	%	Apportion ment £'000
Mid Bedfordshire DC	5,493	4.70%	549
South Bedfordshire DC	6,864	5.80%	686
Bedfordshire CC	105,120	89.50%	10,503
<b>Totals</b>	<b>117,477</b>	<b>100.00%</b>	<b>11,738</b>

Exceptional costs of LGR in the Income and Expenditure Account also includes £1.602 million of recharged staff costs charged through the support services charging system. 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.

#### 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 been initially funded by the authority employing the relevant staff and have been subsequently been 'pooled' into the allocation to authorities referred to above.

## 2. Trading Services

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other organisations or customer receipts.

Details of those units are as follows:

<u>2007/08</u> £	<b>Markets</b>	<u>2008/09</u> £
(100,031)	The Council operates two markets generating income from letting stalls and pitches - the trading objective is to maximise the surplus / minimise the deficit.	(88,090)
	Turnover	
45,013		12,667
	Expenditure	
(55,018)	(Surplus)/Deficit	(75,423)

<u>2007/08</u> £	<b>Investment Properties</b>	<u>2008/09</u> £
(1,060,517)	The Council operates a property portfolio which is very varied and includes town centre retail, offices and industrial estates. This involves the management of over 200 lettings - the trading objective is to maximise the surplus.	(1,075,920)
	Turnover	
450,024		405,332
	Expenditure	
	Impairment	2,765,000
		3,170,332
(610,493)	(Surplus)/Deficit	2,094,412
The deficit in 2008/09 is as a result of impairment costs of assets.		

<u>2007/08</u> £	<b>Car Parks</b>	<u>2008/09</u> £
(826,407)	The Council operates fifteen public off-street car parks - the trading objective is to break-even.	(879,345)
	Turnover	
1,124,836		1,198,403
	Expenditure	
298,429	(Surplus)/Deficit	319,058

## 3. Section 137 (3) of the Local Government Act 1972

Section 137 (3) of the Local Government Act 1972 empowers a Local Authority to contribute to the funds of charities operating in the UK, and to not for profit bodies providing public services in the UK.

The actual expenditure incurred by this authority was:-	<u>2007/08</u> £	<u>2008/09</u> £
	66,598	72,580

## 4. Publicity Expenditure

Set out below, under the requirements of S.5(1) of the Local Government Act 1986, is the council's spending on publicity.

	<u>2007/08</u> £	<u>2008/09</u> £
Recruitment Advertising	142,590	79,879
General Advertising	93,535	39,071
Publicity and Promotion	14,540	2,117
Tourism	43,902	56,633
Press and Public Relations	230,840	212,839
	525,407	390,539

**5. Building Control Trading Account**

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function - the Council sets its charges in accordance with the LGA model scheme. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities. The expenditure and income in respect of this trading unit are incorporated into the Planning and Development Services section of the Consolidated Revenue Account.

<b>Building Regulations Charging Account</b>				
Total 2007/08		Chargeable 2008/09	Non-Chargeable 2008/09	Total 2008/09
£		£	£	£
	Expenditure			
352,182	Employee expenses	254,680	109,148	363,828
21,722	Transport	14,408	6,178	20,586
46,435	Supplies and services	28,584	20,883	49,467
-	Fund Management			-
148,300	Central & support service charges	54,216	29,230	83,446
<b>568,639</b>	<b>Total Expenditure</b>	<b>351,888</b>	<b>165,439</b>	<b>517,327</b>
	Income			
(374,153)	Building Reg Charges	(304,218)	-	(304,218)
(3,304)	Miscellaneous income	-	(1,589)	(1,589)
<b>(377,457)</b>	<b>Total Income</b>	<b>(304,218)</b>	<b>(1,589)</b>	<b>(305,807)</b>
<b>191,182</b>	<b>Deficit/(Surplus) for Year</b>	<b>47,670</b>	<b>163,850</b>	<b>211,520</b>

**6. Transport Act 2000**

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

Permits are issued free of charge and entitle the holder to free travel.

The actual expenditure incurred by this authority was:-		
	2007/08	2008/09
	£	£
	1,008,981	758,908

**7. Local Authority (Goods and Services ) Act 1970**

In 2008/09 the Council provided payroll services to Dunstable and Leighton Linlade Town Councils and some voluntary organisations within the District.

Payroll Services		
	2007/08	2008/09
	£	£
Income	38,278	42,523

**8. Members Allowances & Employee Remuneration**

Member Allowances	2007/08	2008/09
	£	£
Member Allowances re: South Bedfordshire District Council	291,375	302,677
Special Responsibility Allowances re: Shadow Central Bedfordshire Council	0	89,420
<b>Total amount of Members' Allowances paid</b>	<b>291,375</b>	<b>392,097</b>

Member allowances paid in 2008/09 included the addition of increased responsibility allowances arising from Local Government Reorganisation and the operation of the Shadow Central Bedfordshire Council.

<u>Statement of numbers of employees whose total annual remuneration exceeds £50,000</u>		
Remuneration between	Number of Employees	
	2007/08	2008/09
£		
50,000 - 59,999	9	9
60,000 - 69,999	6	7
70,000 - 79,999	0	1
80,000 - 89,999	0	2
90,000 - 99,999	2	2
100,000 - 109,999	0	0
110,000 - 119,999	0	1
120,000 - 129,999	1	0
150,000 - 159,999	0	1
160,000 - 169,999	0	1
180,000 - 189,999	0	1
260,000 - 269,999	0	1
430,000 - 439,999	0	1

Remuneration includes salary, allowances chargeable to tax, redundancy payments and the money value of non cash benefits. A number of employees were made redundant during 2008/09 as a result of Local Government Reorganisation, hence the numbers in the table above have increased for 2008/09, however some were paid in 2009/10 and their remuneration will be disclosed in the 2009/10 accounts.

#### 9. Related Parties

During the year material transactions with related parties, not disclosed elsewhere, arose as follows:

	<u>2007/08</u>		<u>2008/09</u>	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
<b>Town Councils</b>				
Payroll ServiceDunstable	21	-	25	-
Leighton Buzzard	16	-	18	-
<b>Members of the Authority</b>				
Payments to a firm operated by the family of a member.	-	7	-	12
Rental payment for an industrial unit from a firm run by a member.	4	-	4	-
Total transactions with related parties	<u>41</u>	<u>7</u>	<u>47</u>	<u>12</u>

#### 10. Audit Fees

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Statutory Audit	113,904	141,675
Grant Certification	48,253	65,719
Inspection	6,490	6,570
	<u>168,647</u>	<u>213,964</u>

#### 11. Commutation Adjustment

The commutation adjustment resulted from the Government commuting annual housing grants to local authorities in a one off payment back in 1992/1993. In order to equalise the effect on the General Fund it was necessary for an annual adjustment to be made from the Capital Adjustment Account to the Income and Expenditure Account. The transactions relating to the commutation adjustment are detailed below:

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Commutation Adjustment	(92,126)	(43,865)

#### 12. Explanation of Statement of Movement on the General Fund Balance

The Income and Expenditure Account brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that authorities need to take into account when setting council tax. In order to give full presentation of the financial performance of the council during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation. The statement is presented as a primary statement following the Income and Expenditure Account.

The note detailing the individual elements of the Statement of Movement on the General Fund Balance immediately follows the statement for ease of reference.



### 13. Capital Expenditure and Financing

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
<b>Opening Capital Financing Requirement</b>	<b>904</b>	<b>1,642</b>
<i>Capital Investment</i>		
Operational Assets	6,460	7,893
Non-operational Assets	37	45
Revenue Expenditure Funded from Capital under Statute	1,326	1,555
Other Items	96	0
<i>Sources of Finance</i>		
Capital Receipts	(1,667)	(4,960)
Government Grants and other contributions	(1,606)	(648)
Sums set aside from revenue (includes revenue financing and MRP)	(3,908)	(3,841)
<b>Closing Capital Financing Requirement</b>	<b>1,642</b>	<b>1,686</b>
<u>Explanation of Movement in year</u>		
Increase in the need to borrow (supported by Government financial assistance)	646	0
Commutation Adjustment	92	44
Increase/(decrease) in Capital Financing Requirement	738	44
The major items of capital expenditure during the year were:		<u>£'000</u>
(1) Renovation & Disabled Grants		561
(2) Housing Association Assistance - London Road		894
(3) ICT Infrastructure		494
(4) EDRMS		195
(5) Council Housing - General Enhancements		232
(6) Council Housing - Window Replacement		930
(7) Council Housing - Central Heating Replacement		1,333
(8) Council Housing - Rewiring		329
(9) Council Housing - Kitchens & Bathrooms		1,079
(10) Council Housing - Door entry systems		184
(11) Council Housing - Aids & Adaptations		300
(12) Council Housing - Capitalised Salaries		252
(13) Council Housing - Estate Improvements		200
(14) Council Housing - Roofing		214
(15) Council Housing - Structural repairs		159
(16) Council Housing - Asbestos Removal		152
(17) Council Housing - Bedsit Conversions		210
(18) Council Housing - Central Heating Communal		159
(19) Sandringham Drive - Innovation Works		100
(20) Purchase of 135 Grove Road, Houghton Regis		129
(21) Partnership of Beds District Councils		116

#### 14. Revenue Expenditure Funded from Capital under Statute

Movements in the year were:-

	Balance 01-04-08 £'000	Expenditure in Year £'000	Written off in Year £'000	Balance 31/03/09 £'000
Improvement grants	-	561	561	-
Housing Associations	-	894	894	-
Other		100	100	-
<b>Total before Government Grants</b>	<b>-</b>	<b>1,555</b>	<b>1,555</b>	<b>-</b>
Government Grants				
-re Improvement grants	-	(258)	(258)	-
-other		(278)	(278)	-
	<b>-</b>	<b>1,019</b>	<b>1,019</b>	<b>-</b>

#### 15. Capital Commitments

As at 31 March 2009 Capital Commitments were as follows:- Responsibility for these commitments will transfer to the new Central Bedfordshire Council

	£'000
Private Properties - Disabled facilities and renovation grants	209
Housing Association Assistance - London Road Re-development	825
Bedford Square, Houghton Regis - Refurbishment	446
Sandringham Drive - Innovation Works	900
	<u>2,380</u>

#### 16. Fixed Assets

Fixed assets have been categorised according to the CIPFA capital accounting definitions. All leased assets are excluded from this analysis.

All fixed assets are recorded on an asset register. The list below is only those assets with an assigned value above £10,000.

Individual values are not given as this could give a potentially misleading impression of the values that could be realised on disposal. Valuations as required for capital accounting purposes (as reflected in the fixed assets summary to the balance sheet) are not likely to be the same as actual disposal receipts.

<u>2007/08</u>		<u>2008/09</u>
	<b>Equipment</b>	
700	Computer Equipment	700
103	C.C.T.V. installations in Dunstable, Leighton Buzzard and Houghton Regis	104
0	Recycling vehicles	1
89,020	Recycling bins	89,020
	<b>Land and Buildings</b>	
3	Leisure Centres	3
5,236	Council Dwellings	5,233
1	Miscellaneous Land Holdings	1
2	Women's Refuge	2
38	Shops	38
1	Land adjacent Multi Storey Car Park, Leighton Buzzard	1
1	District Offices, High Street North, Dunstable	1
1	47/47A High Street South, Dunstable	1
1	Old Town Hall, Leighton Buzzard	1
1	Depot, Tavistock Street, Dunstable	1
1	Old Ambulance Station, High Street North, Dunstable	1
1	Land, North Station Way, Dunstable	1
1	Rifle Range	1
2	Community Centres	2
1	Blackbarn Stables	1
3	Shopping Centres	3
3	Industrial Estates	3
1	The Long Car Park between Brewers Hill Road and French's Avenue	1
1	55 King Street, Dunstable	1
1	Land Vandyke Road, Leighton Buzzard	1
1	Creasey Park, Dunstable	1
5	Public Conveniences (3 closed)	5
11	Car Parks	11

## Community Assets

Open spaces as at:  
 Oakley Green, Leighton Buzzard  
 Tiddenfoot Pit, Leighton Buzzard  
 The Heath, Leighton Buzzard  
 The Woodlands, Heath Court, Leighton Buzzard  
 Clipstone Open Space, Leighton Buzzard  
 Riverside Walk, Leighton Buzzard  
 Redwood Glade, Leighton Buzzard  
 Spoundell, Dunstable  
 Former Railway Line behind Frenchs Avenue, Dunstable  
 Green Lane, Dunstable  
 Land around Dunstable Leisure Centre, Dunstable  
 Parkside, Houghton Regis  
 Frenchs Avenue Tip  
 Studham Common

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31st March 2009 by the Property Services Manager, Peter Burt MRICS and the Council Dwellings, within the Housing Revenue Account, by the Council's consultants Wilks Head & Eve, Chartered Surveyors. The authority revalues the entire fixed assets portfolio annually. In addition, material changes are reflected as they occur. The value of Council Dwellings was reviewed by Wilks Head and Eve to reflect changes in property values, and reflects a valuation date of 31st March 2009.

The vehicles, plant and machinery value is determined by the purchase price and reduced by depreciation over 5 years.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Intangible Assets £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Valued at historic cost	-	-	1,406	-	-	-	-	-	-	1,406
Valued at current value in:-										
2008/09	351,042	41,522	-	1,001	-	568	11,012	-	63	405,208
2007/08	391,114	43,938	1,319	1,033	-	273	13,905	-	477	452,059
2006/07	389,790	42,885	1,023	1,156	-	253	13,022	-	1,832	449,961
2005/06	353,461	26,359	1,206	966	-	233	12,859	-	-	395,084
2004/05	397,416	26,705	195	624	-	232	13,199	-	-	438,371
2003/04	367,637	17,768	574	-	1,109	809	10,758	-	-	398,655
2002/03	309,330	16,079	519	-	1,347	809	10,758	-	-	338,842
2001/02	287,044	14,580	237	-	1,271	809	10,059	-	-	314,000
	<b>2,846,834</b>	<b>229,836</b>	<b>6,479</b>	<b>4,780</b>	<b>3,727</b>	<b>3,986</b>	<b>95,572</b>	<b>-</b>	<b>2,372</b>	<b>3,193,586</b>

Movements in Fixed Assets during the year were:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Intangible Assets £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
<b>Certified valuation as at 31/03/08</b>	<b>391,114</b>	<b>43,953</b>	<b>2,437</b>	<b>2,362</b>	<b>237</b>	<b>273</b>	<b>13,905</b>	<b>-</b>	<b>507</b>	<b>454,788</b>
at 31/03/08	-	(15)	(1,032)	(1,329)	(237)	-	-	-	(30)	(2,643)
<b>Net book value as at 31/03/08</b>	<b>391,114</b>	<b>43,938</b>	<b>1,405</b>	<b>1,033</b>	<b>-</b>	<b>273</b>	<b>13,905</b>	<b>-</b>	<b>477</b>	<b>452,145</b>
Asset reclassification	-	(80)	-	-	-	445	(55)	-	(310)	-
Additions	6,103	425	443	620	148	125	45	-	-	7,909
Disposals	(279)	(134)	-	-	-	-	-	-	-	(413)
Revaluation gains	13,046	1,085	-	-	-	0	107	-	-	14,238
Impairments	(51,326)	(1,845)	-	-	(148)	(272)	(2,990)	-	(104)	(56,685)
Depreciation	(3,769)	(934)	(529)	(652)	-	(3)	-	-	-	(5,887)
<b>Net book value as at 31/03/09</b>	<b>354,889</b>	<b>42,455</b>	<b>1,319</b>	<b>1,001</b>	<b>-</b>	<b>568</b>	<b>11,012</b>	<b>-</b>	<b>63</b>	<b>411,307</b>

## 17. Intangible Assets

Movement in Intangible Assets:-

	Purchased Software Licences
Original cost	£'000
Amortisation at 01/04/08	2,362
Balance at 01/04/08	(1,329)
Expenditure in year	1,033
Revaluation	620
Written off to Revenue in year	-
Balance at 31/03/09	(652)
	1,001

## 18. Operating leases

The Council uses equipment, vehicles and housing (for homelessness relief), financed under the terms of operating leases. The amount paid under these arrangements in 2008/09 was £273,922 (2007/08 £364,312). The Council was committed at 31 March 2009 to the following payments under operating leases:-

	Equipment and Vehicles £	Housing £	Total £
Expiring 2009/10	59,538	-	59,538
Expiring next four years total: 2010/11 to 2013/14	111,291	8,000	119,291
Expiring after 2013/14			
	<u>170,829</u>	<u>8,000</u>	<u>178,829</u>

## Finance leases

The Council no longer has any finance leases.

## 19. Movement in Debtors

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Sundry Debtors	2,274	1,954
Government Departments	3,907	2,231
Other Local Authorities	1,524	2,480
Council Taxpayers	3,962	4,410
Business Ratepayers	682	1,570
Housing Tenants	1,059	860
Loans to Employees	170	130
Prepayments	440	147
	<u>14,018</u>	<u>13,782</u>
Provision for Bad Debts		
Council Taxpayers	(896)	(1,009)
Business Ratepayers	(177)	(318)
Housing Tenants	(528)	(390)
Other	(1,213)	(1,135)
Total Bad Debt Provision	<u>(2,814)</u>	<u>(2,852)</u>
Total	<u>11,204</u>	<u>10,930</u>

The value shown for debtors under current assets is shown after the deduction of a provision for bad debts. This provision is calculated with regard to the age of outstanding debts and is £2,852,140 for 2008/09 (2007/08 - £2,813,517)

**20. Movement in Creditors**

	2007/08 £'000	2008/09 £'000
Sundry Creditors	(5,028)	(4,958)
Government Departments	(2,599)	(3,206)
Other Local Authorities	(1,989)	(1,844)
Council Taxpayers	(766)	(778)
Business Ratepayers	(444)	(606)
Housing Tenants	(196)	(240)
Receipts in Advance	(87)	(86)
Total	<u>(11,109)</u>	<u>(11,718)</u>

**21. Balances with Related Parties**

In the accounts there are a number of creditors and debtors for related parties, these are detailed below.

	<u>2007/08</u>		<u>2008/09</u>	
	Net Creditor £'000	Net Debtor £'000	Net Creditor £'000	Net Debtor £'000
<b>Government Departments</b>				
Communities & Local Government	-	1,781	629	-
Department of Work & Pensions	-	184	-	1,441
Revenue & Customs Income Tax	328	-	597	-
Revenue & Customs VAT	-	325	-	692
Department for Environment, Food & Rural affairs	85	-	187	-
Bedfordshire County Council	665	-	531	-
Mid Bedfordshire District Council	-	-	-	948
<b>Town Councils</b>				
Dunstable	-	240	-	304
Leighton Buzzard	-	190	-	206

**22. Long Term Borrowing**

<b>Analysis of Loans by Lender</b>	<u>31/03/08</u> £'000		<u>31/03/09</u> £'000	% Rate
Public Works Loans Board	1,938	4.00%	1,938	4.00%
Total Outstanding	<u>1,938</u>		<u>1,938</u>	
<b>Analysis of Loans repayable</b>	<u>31/03/08</u> £'000	2008 % Rate	<u>31/03/09</u> £'000	2009 % Rate
3 to 4 years	646	4.05%	646	4.05%
In 10 years or more	1,292	4.00%	1,292	4.00%
	<u>1,938</u>		<u>1,938</u>	

**23. Insurance Provision**

The Insurance Provision was established in 2000, transferring from the Insurance Reserve the balance previously held there. This provides for incidents in the past for which claims against the council have not yet been finalised. The movement on this provision are set out in the table below.

#### 24. Provisions

	Balance 01/04/08 £'000	Transfers to Provisions £'000	Transfers from Provisions £'000	Balance 31/03/09 £'000
Grove Theatre	(388)	(161)	342	(207)
Insurance	(108)	(183)	114	(177)
Service Charges	(70)	(107)	131	(46)
Blackbarn Stables	(40)	-	-	(40)
Environmental Health Regional Co-ordinator	(87)	-	39	(48)
Downside Community Development	(50)	-	50	-
<b>Total Provisions</b>	<b>(743)</b>	<b>(451)</b>	<b>676</b>	<b>(518)</b>

Insurance money received in respect of Blackbarn Stables fire is retained to utilise as a contribution towards carrying out restorative and development work to the site.

The construction of the new Grove Theatre started in August 2005. The revenue money set aside to fund this project has now been transferred to a provision. Whilst the main construction work was completed in March 2007, there are still some final works to be completed.

Other provisions included sums set aside for Service Charges within the Housing Revenue Account.

#### 25. Analysis of Movement on Reserves

	Fixed Assets Revaluation Reserve £'000	Capital Adjustment Account £'000	Usable Capital Receipts £'000	Earmarked Reserves £'000	Government Grant Deferred £'000	General Revenue Account £'000	Collection Fund £'000	Housing Revenue Account £'000	Pension Reserve £'000	Total £'000
Balance at 1 April 2008	(22,110)	(425,773)	(6,601)	(5,871)	(2,620)	(1,310)	(26)	(3,510)	24,416	(443,405)
Net (Surplus)/Deficit for year				1,882	(100)					1,782
Additions										-
Unrealised (Gains)/Losses from revaluations of fixed assets	12,390	30,057								42,447
Net movement on Pension Reserve									7,524	7,524
<b>Effects of disposals of fixed assets</b>										
Cost or value of assets disposed of		6,988	9							6,997
Proceeds of disposals			(1,802)							(1,802)
Net (Surplus)/Deficit		6,988	(1,793)			383	2	(529)		5,051
Contribution to Housing capital receipt pool			367							367
Financing of fixed assets		(8,817)	4,960		374					(3,483)
Installments		-	-	-	-	-	-	-	-	-
Balance at 31 March 2009	(9,720)	(397,545)	(3,067)	(3,989)	(2,346)	(927)	(24)	(4,039)	31,940	(389,717)

## Capital Accounts

### Revaluation Reserve

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Balance as at 1 April	0	(22,110)
Revaluation Gains	(23,949)	(14,238)
Impairment	1,839	26,628
Balance as at 31 March	<u>(22,110)</u>	<u>(9,720)</u>

### Capital Adjustment Account

The Capital Adjustment Account will contain a number of elements - principally the historic cost of acquiring, creating or enhancing fixed assets, over the life of those assets, the historical cost of deferred charges over the period that the council benefits from the expenditure, and it will be credited with resources set aside to finance capital expenditure. The closing balance on this account will show:

If a credit - that capital finance has been set aside at a faster rate than fixed assets have been consumed, and the council has a nominal surplus when comparing financing to consumption of resources;

If a debit - that fixed assets have been consumed in advance of their being financed, and the authority has a nominal deficit when comparing financing to consumption of resources.

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Balance as at 1 April	(447,205)	(425,773)
Capital Financing requirements	(5,666)	(8,817)
Commutation Adjustment	92	44
Depreciation	5,302	5,235
Intangible Assets Written Off	459	653
Deferred Grants Written Off	653	1,019
Government Grants deferred written off	(102)	(374)
Disposal of Fixed Assets	5,147	413
Impairment	15,547	30,055
Balance as at 31 March	<u>(425,773)</u>	<u>(397,545)</u>

### Usable Capital Receipts Reserve

The current accounting code requires that a distinction is made between capital and revenue reserves. The Capital Adjustment Account and Revaluation Reserve cannot be called upon to support spending. The Usable Capital Receipts Reserve can be used for expenditure for capital purposes. The revenue reserves can be called upon to meet both revenue and capital expenditure.

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Balance as at 1 April	(5,154)	(6,601)
Received during year	(4,369)	(1,802)
Applied during year	1,667	4,960
Less Housing Receipts set aside for Pooling	1,255	367
Cost of disposal of assets	-	9
Balance as at 31 March	<u>(6,601)</u>	<u>(3,067)</u>

**Earmarked Reserves**

	Balance 01/04/08 £'000	Transfers To Reserve £'000	Transfers From Reserve £'000	Balance 31/03/09 £'000
Building Control - Surplus	(109)	-	48	(61)
Business Continuity	(50)	-	50	-
Dunstable Master Plan	(1,504)	(287)	-	(1,791)
Business Process - Re Eng HRA	(46)	-	-	(46)
Choice Based Lettings	(13)	-	-	(13)
Community Alarm Replacement	(160)	-	160	-
Community Development Meadow Way	(3)	-	3	-
Community Development Parkside	(4)	-	4	-
Community Development Rural	(9)	-	9	-
Concessionary Fares	(89)	-	89	-
Corporate Maintenance Strategy	(179)	-	131	(48)
Capacity and Change Management	(808)	(1,210)	2,018	-
Crime Prevention	(19)	-	19	-
Development Control	(50)	-	50	-
Heritage	(6)	-	6	-
Homelessness	(29)	-	29	-
Houghton Regis Windsor Drive	(50)	-	48	(2)
Housing Benefits	(460)	-	135	(325)
Housing Needs Assessment	(6)	-	-	(6)
I.C.T. Strategy	(23)	-	23	-
Joint Facility Strategy	(88)	(52)	55	(85)
Leighton Buzzard Town Centre	(87)	-	72	(15)
Local Development Framework	(379)	-	-	(379)
Local Strategic Partnership	(132)	(3)	44	(91)
Luton Airport Noise Cons.	(14)	-	4	(10)
Major Repairs Reserve	(200)	-	-	(200)
Grove Theatre	(50)	-	-	(50)
Old Fire Station	(10)	-	10	-
Planning Delivery Grant	(565)	(270)	378	(457)
Refuse/Recycling	(153)	-	99	(54)
Repairs & Renewals	(489)	(3)	167	(325)
Risk Management	(35)	-	35	-
Smoking Enforcement Grant	(22)	-	7	(15)
South Beds Womens Aid	(9)	-	9	-
Street Cleaning	(4)	-	4	-
Unfit and Vacant Housing	(7)	-	6	(1)
Voluntary Community Action	(10)	(5)	-	(15)
<b>Total Earmarked Reserves</b>	<b>(5,871)</b>	<b>(1,830)</b>	<b>3,712</b>	<b>(3,989)</b>

The earmarked reserves with a value over £100,000 are described below:

**Dunstable Master Plan £1,791,671**

This reserve will be used to redevelop the town centre of Dunstable.

**Planning Delivery Grant £457,289**

Government grant reserved to be used to maintain or enhance the Planning and Development Control Service.

**Repairs and Renewals £325,091**

The Repairs and Renewals Reserves are operated to meet expenditure incurred in repairing, maintaining, replacing and renewing plant and equipment belonging to the Council.

**Local Development Framework £378,769**

This reserve has been earmarked to fund the publication of the approved local development framework.

**Major Repairs Reserve £200,000**

This reserve is to cover any emergency repair work to our housing stock.

**Housing Benefits £324,977**

This reserve was established to provide monies for future fraud prevention initiatives, improved technology and variations in subsidy payable.

**26. Analysis of net assets employed**

	31/03/08 £'000	31/03/09 £'000
Collection Fund	1,995	93
General Revenue Account	47,811	31,997
Housing Revenue Account	390,997	355,292
	<u>440,803</u>	<u>387,382</u>



## 27. Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme for employees, administered by Bedfordshire County Council (Bedford Borough Council From 1 April 2009). This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the movement on the General Fund balance statement. The following transactions have been made in the Income & Expenditure account during the Year.

	<u>2007/08</u>	<u>2008/09</u>
	£	£
<b>Net Cost of Services</b>		
Current Service Costs	(1,748,000)	(1,248,000)
Curtailments	(22,000)	(47,000)
Past Service Costs	-	(627,000)
<b>Net Operating Expenditure</b>		
Pension Interest Costs	(4,730,000)	(5,206,000)
Expected return on Pension assets	3,558,000	3,452,000
<b>Amounts to be met from Government Grants and Local Taxpayers</b>		
Net Movement on pension reserve	(2,942,000)	(3,676,000)
<b>Actual amount charged against council tax for pensions in the year</b>		
Employers contribution payable to Scheme	2,712,000	2,498,000

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:-

	<u>31/03/08</u>	<u>31/03/09</u>
	£'000	£'000
Estimated liabilities in scheme - funded	(70,047)	(68,758)
Estimated liabilities in scheme - unfunded	(5,651)	(4,972)
Estimated assets in scheme	51,282	41,790
Net liability	<u>(24,416)</u>	<u>(31,940)</u>

The liabilities show the underlying commitment that the authority has in the long run to pay retirement benefits. The total liability is now £31.9m. There are statutory arrangements for funding the deficit by varying (usually upwards) the employers contributions over the remaining working life of employees as assessed by the scheme actuary. It is this variation that must be taken into account when setting the councils budget for a particular year.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The county council fund has been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation as at 31 March 2009.

The projected service cost takes account of the removal of the Rule of 85 for service after 30 September 2006 for certain members as set out in the Local Government Pension Scheme (Amendment) Regulations 2006. The projected figures make an allowance for 50% of members to elect to exchange part of their LGPS pension for additional tax-free cash at retirement, as permitted from April 2007.

The main assumptions used in their calculations are:

	<u>31/03/08</u>	<u>31/03/09</u>
	<u>p.a.</u>	<u>p.a.</u>
Rate of inflation for retail prices	3.6%	3.1%
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions	3.6%	6.0%
Rate for discounting scheme liabilities	6.9%	6.9%

Breakdown of the expected return on assets by category

	<u>31/03/08</u>	<u>31/03/09</u>
	<u>p.a.</u>	<u>p.a.</u>
Equities	7.7%	7.0%
Bonds	5.7%	5.6%
Property	5.7%	4.9%
Cash	4.8%	4.0%

Assets in the Bedfordshire Fund are valued at fair value, principally market value for investments and consist of the following categories for South Bedfordshire:

<b>Assets</b>	<b>Fair Value £'000</b>	<b>%</b>	<b>Expected Return %</b>
Value as at 31.3.08			
Equities	28,829	56.2	7.8
Bonds	8,512	16.6	4.9
Property	5,001	9.8	5.8
Cash	8,940	17.4	4.9
<b>Total</b>	<b>51,282</b>	<b>100.0</b>	<b>6.8</b>
Value as at 31.3.09			
Equities	22,567	54.0	7.7
Bonds	8,776	21.0	5.7
Property	3,343	8.0	5.7
Cash	7,104	17.0	4.8
<b>Total</b>	<b>41,790</b>	<b>100.0</b>	<b>6.7</b>

#### Recognition in the Income & Expenditure Account

	<u>2008/09</u> £'000	<u>2008/09</u> % of pay	<u>2009/10</u> £'000	<u>2009/10</u> % of pay
Current Service Cost	1,748	19.0%	1,248	12.9%
Interest Cost	4,730	51.4%	5,206	53.8%
Expected Return on Employer Assets	(3,558)	(38.7%)	(3,452)	(35.7%)
Past Service Cost/(Gain)	-	0.0%	627	6.5%
Losses/(Gains) on Curtailments and Settlements	22	0.2%	47	0.5%
<b>Total</b>	<b>2,942</b>	<b>70.6%</b>	<b>3,676</b>	<b>73.7%</b>
Actual Return on Plan Assets	(392)		(9,851)	

The Service cost figures include an allowance for administration expenses of 0.4% of payroll

The Past Service Cost figure for this year includes £120,000 in respect of efficiency and other early retirements and £507,000 in respect of retrospective changes to member benefits that came into effect on 1st April 2008.

#### Reconciliation of defined benefit obligation

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Opening Defined Benefit Obligation	(88,100)	(75,698)
Current Service Cost	(1,748)	(1,248)
Interest Cost	(4,730)	(5,206)
Contributions by Members	(562)	(707)
Actuarial Losses / (Gains)	16,174	6,678
Past Service Costs / (Gains)	-	(627)
Losses / (Gains) on Curtailments	(22)	(47)
Estimated Unfunded Benefits Paid	292	397
Estimated Benefits Paid	2,998	2,728
	<b>(75,698)</b>	<b>(73,730)</b>

#### Reconciliation of fair value of employer assets

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Opening Fair Value of Employer Assets	52,300	51,282
Expected Return on Assets	3,558	3,452
Contributions by Members	562	707
Contributions by Employer	2,420	2,498
Contributions in respect of Unfunded Benefits	292	397
Actuarial Gains / (Losses)	(4,560)	(13,421)
Unfunded Benefits Paid	(292)	(397)
Benefits Paid	(2,998)	(2,728)
	<b>51,282</b>	<b>41,790</b>

## History of Experiences Gains and Losses

	Year to 31/03/05 £'000	Year to 31/03/06 £'000	Year to 31/03/07 £'000	Year to 31/03/08 £'000	Year to 31/03/09 £'000
Fair Value of Employer Assets	39,600	48,400	52,300	51,282	41,790
Present Value of Defined Benefit Obligation	(71,700)	(88,900)	(88,100)	(75,698)	(73,730)
Surplus / (Deficit)	(32,100)	(40,500)	(35,800)	(24,416)	(31,940)
Experience Gains / (Losses) on Assets	1,300	5,500	400	(4,560)	(13,421)
Experience Gains / (Losses) on Liabilities	800	(5,500)	(500)	4,009	426

The figures set out above are provided by Bedfordshire County Council actuary's Hymans Robertson.

	Year to 31/03/05 £'000	Year to 31/03/06 £'000	Year to 31/03/07 £'000	Year to 31/03/08 £'000	Year to 31/03/09 £'000
Actuarial Gains and Losses	(8,800)	(9,200)	4,700	11,614	(6,743)
Increase/(Decrease) in irrecoverable Surplus from Membership					
Actuarial Gains / (Losses) recognised in STRGL	(8,800)	(9,200)	4,700	11,614	(6,743)
Cumulative Actuarial Gains and Losses	(8,800)	(18,000)	(13,300)	(1,686)	(8,429)

## 28. Cash Flow Reconciliation to the Income and Expenditure Account

This note gives a reconciliation between the surplus or deficit on the income and expenditure accounts of the General Fund, Housing Revenue Account and Collection Fund and the net cash flow from revenue activities. The Statement has been restated for 2007/08 in respect of incorrect treatment of temporary loans which has meant that the figures for Other Operating Costs and Other Revenue Cash Payments/Income have been amended.

<u>2007/08</u> £'000	<u>2008/09</u> £'000
<b>TOTAL (SURPLUS) / DEFICIT ON ALL REVENUE ACCOUNTS</b>	
20,462 Income and Expenditure Account (Surplus) / Deficit	34,372
(164) Collection Fund (Surplus) / Deficit	(147)
538 General fund movement on balance	383
1,486 Housing revenue account movement	(529)
<b>NON CASH TRANSACTIONS</b>	
(459) Amortisation charges	(653)
(16,912) Depreciation and impairment charges	(29,473)
102 Government Grants Deferred amortised matching depreciation	374
(2,805) Profit/Loss on disposal of fixed assets	1,332
(653) Revenue Expenditure charged to Capital under statute	(1,019)
130 Unattached Capital Receipts	46
1 Movement in stocks	(3)
(46) Movement in Provision for Bad Debts	(38)
(678) Movement in provisions and earmarked reserves	2,098
(92) Commutation Adjustment	(44)
83 Net movement in revenue debtors and creditors	(2,024)
(3,550) Contribution to Major Repairs allowance	(3,553)
450 Revenue contribution to capital	294
(1,255) Housing capital receipt pooling	(362)
(230) Pension costs - difference between actual payments to Fund and the FRS17 requirements	(770)
<b>ITEMS CLASSIFIED IN ANOTHER CATEGORY IN THE CASH FLOW STATEMENT</b>	
745 Net interest received	1,343
<b>(2,847) NET CASH FLOW FROM REVENUE ACTIVITIES</b>	<b>1,627</b>

**29. Analysis of Government Grants and Subsidies**

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Council Tax benefits	7,029	6,964
Rent allowances	9,504	10,050
Rent rebates	11,867	11,808
Total grants re: benefits	<u>28,400</u>	<u>28,822</u>
Planning Delivery Grant	458	270
Benefit Administration	873	736
Local Authority Business Growth Incentive	90	1,056
Concessionary Fares	58	310
Culture, Media & Sport	-	35
Total Other Grants and Subsidies	<u>1,479</u>	<u>2,407</u>
Revenue Support Grant	1,231	1,070
Area Based Grant	-	19
	<u>1,231</u>	<u>1,089</u>
Total all grants and subsidies	<u><u>31,110</u></u>	<u><u>32,318</u></u>

**30. Movement in Cash and Cash Equivalents**

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Cash in hand	(1)	1
Cash at bank	182	598
Movement in Cash and cash equivalents	<u>181</u>	<u>599</u>

**31. Movement in Financing and Management of Liquid Resources**

	Balance <u>01/04/08</u> £'000	Balance <u>31/03/09</u> £'000	Movement in year £'000
<b>Financing</b>			
Borrowing - PWLB & Short Term Loans	<u>(1,938)</u>	<u>(1,938)</u>	-
<b>Liquid Resources</b>			
Total Short Term investments	17,881	12,581	(5,300)
Less accrued interest at year end	<u>(214)</u>	<u>(198)</u>	16
	17,667	12,383	(5,284)

The liquid resources included in the Cash Flow statement consists of the short term investments made by the authority with approved financial institutions, in accordance with the Treasury Management Policy.

### 32. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another, and therefore covers both financial assets and liabilities. It covers from the most straightforward, such as creditors and debtors, to the most complex investment and borrowing products. South Beds has identified the following as financial instruments for disclosure under the Code:

Investments and borrowings

Loans to employees for car purchase, Leighton Linlade Town Council and housing mortgages (soft loans)

Financial guarantees

#### Investments and borrowings

As at 31 March 2009 the council's investments were entirely of a short-term nature. The fact that the short term investments are at a fixed rate, means that there is no material difference between the carrying value and the fair value of these investments as at the balance sheet date. Therefore no fair value adjustment is required. As at 31 March 2009, the Council had short term investments of £12.613 million, compared with £17.881 million as at 31 March 2008.

When looking at investments three main areas of risk are taken into consideration. These are:

Credit Risk – the possibility that the counterparties might fail to pay amounts to the authority;

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

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.

The council undertakes its investment activities in accordance with its annual Treasury Management Strategy. This sets out the specific rules that must be followed in this area, including the treasury objectives and approach to risk management.

#### Credit Risk

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

Banks and Building Societies (term deposits)

Long term Fitch rating A or better  
Short term Fitch rating F1 or better

Support Fitch rating 3 or better

Maximum investment £1.5m or 15% of the total cash investments at any one time (whichever is the highest) for a maximum period of 1 year where the Support Rating is 1 or 2.

Where the Support Rating is 3 the maximum duration is reduced to 2 months.

Bonds and UK Government Gilts

Only on advice from the council's investment advisors

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

The risk arising from customers is assessed annually and appropriate bad debt provisions are provided, taking into account the level of outstanding amounts, past collection rates, experience and any other relevant factors.

The following table summarises the councils potential maximum exposure to credit risk, based on experience over the last five years, adjusted to reflect current market conditions.

2007/08		Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2009	Estimated maximum exposure to default and uncollectability
		£'000	%	%	£'000
		A	B	C	AxC
17,881	Short term deposits	12,613	0	0	0
7,977	Customers	8,792	0.85	1.27	112
25,858	Totals	21,405			112

There has been no experience of default from any of the financial institutions with which the council has been associated in the last 5 years. No credit limits were exceeded during 2008/09 and the council does not expect any losses from any of its counterparties in relation to current deposits.

In respect of customers the overall average historical experience of default is low, at 0.85%. The customer base for the purpose of ascertaining risk is mainly comprised of council tax payers, business ratepayers, housing benefit overpayments, and housing tenants together with other sundry debtors.

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 could subsequently lead to reduced collection rates, especially for business rates. Consequently, whilst this is difficult to quantify, the calculation for historical experience and default has been adjusted by an additional 50%.

#### Liquidity Risk

As the council has ready access to borrowings from the Public Works Loans Board there is no significant risk that it will be unable to raise finance to meet its commitments to pay for goods and services, and to pay its employees. All borrowing is undertaken in accordance with the annual Treasury Management Strategy, and has been restricted in recent years only to that classified as supported borrowing for Housing Revenue Account purposes. The fair value analysis of this debt is as follows:

	31 March 2008	Average Interest Rate	Fair value as at 31 March 2009
	£'000	%	£'000
PWLB	1,938	4.02	1,955

As there is no material difference between the carrying amount and the fair value amount as at the balance sheet date, no adjustment is required in respect of the fair value disclosure requirements.

All trade and other payables are due to be paid in less than one year.

#### Market Risk - interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the income and expenditure account would rise;
- Borrowings at fixed rates – the fair value of the liabilities will fall;
- 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.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the income and expenditure account or STRGL. However, changes in interest payable and 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.

The council has a Treasury Management Strategy, reviewed annually, which includes policies for managing interest rate risks. 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 instruments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be arranged early in the cycle to limit exposure to falling returns.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be identified and managed. The analysis will also advise on the need for, and nature of, any borrowing.

For 2008/09, if interest rates had been 1% higher, with all other variables held constant, the financial effect would have been:

Increase in interest payable on moneys borrowed

There was no further borrowing in 2008/09 so borrowings in previous years would not be affected, as these are all at fixed rates.

Increase in interest receivable on investments

The council only lent moneys on a short-term basis. The rate of interest achieved for each investment is set at the time the investment is made. For 2008/09 the average rate of interest achieved was 3.79% and yielded £1.239k of investment interest. A 1% additional yield for 2008/09 would have been £269k. Of this amount, £144k would have been allocated to the HRA.

Increase in government grant receivable for financing costs:

The only grant affected by borrowing is Housing Subsidy payable to the Housing Revenue Account in respect of supported borrowing. However this grant is unaffected by HRA borrowing until such time as the HRA capital financing requirement becomes positive – until then no subsidy is payable towards capital financing costs

Impact on income and expenditure account in 2008/09:

	£'000
Borrowing impact - GRA only	0
Offsetting subsidy - HRA only	0
Investment impact - total additional interest	(269)
Share of investment impact transferred to the HRA	144
Impact on General Fund balance at 31 March 2009	(125)

Decrease in fair value of fixed rate investment assets

Because all investments for 2008/09 were of a short-term nature, a 1% variation in interest rates has no material effect on the fair value of investment values as at 31 March 2009.

Impact on STRGL:

As a consequence there is no impact on the STRGL

Decrease in fair value of fixed rate borrowings liabilities (No impact on income and expenditure account and STRGL):

The total of fixed rate borrowings is £1.938 million. The impact of a 1% increase in fair value terms is therefore immaterial.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### Market Risk - price risk

The council does not invest in equity shares and so does not have any exposure to price risk.

#### Market risk - foreign exchange risk

The council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. However, the council had previously invested with the Bank of Credit and Commerce International (BCCI), which subsequently went into liquidation in 1991. The council does still receive dividend payments from the liquidators of BCCI which are payable in US dollars, and so currency fluctuations between the UK pound and the US dollar may impact on the amount received.

#### Loans to employees for car purchase

As at 31 March 2009 the total value outstanding was £130k. The rate of interest chargeable for such loans varies depending on the individual employee's conditions of service and is between 0% and 1.9%. The average rate of interest charged for 2008/09 was 0.7%. Due to the small scale of this activity no determination of fair value is required. The sum outstanding is contained within the overall value for debtors on the balance sheet.

#### Other loans

These loans are assessed each year based upon the market rates prevailing during the year. Thus no fair value calculation is required.

#### Financial Guarantees

The council has no financial guarantees currently in force.

**33. Local Area Agreement (LAA)**

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. ABG is paid directly to South Beds, rather than through Bedfordshire County Council, the upper tier authority for the area. South Beds received £18 750 ABG in respect of climate change planning Policy Document.

**34. Contingent Liabilities**

There are no contingent liabilities to disclose.

**35. Contingent Assets**

As a result of a recent fraud case, there is a possibility of the Council recovering some of the defrauded sum and costs through its insurers. The timing and amount of any recovery is uncertain.

**36. Post Balance Sheet Events**

There are no post balance sheet events to disclose. Events after the balance sheet date have been considered up to the time of authorisation of the accounts.

**37. Date of Authorisation**

The accounts were authorised for issue by Clive Heaphy, Director of Corporate Resources, Central Bedfordshire, on 20 July 2009



## HOUSING REVENUE ACCOUNT

<u>2007/08</u>	Note	<u>2008/09</u>	
£'000		£'000	£'000
<b><u>INCOME</u></b>			
19,230 Dwelling rents		19,956	
504 Non-Dwelling Rents		<u>535</u>	20,491
977 Charges for services and facilities			851
424 Contributions towards expenditure			442
<u>21,135</u> <b>TOTAL INCOME</b>			<u>21,784</u>
<b><u>EXPENDITURE</u></b>			
3,948 Repairs and maintenance		3,856	
5,018 Supervision and management		<u>5,014</u>	8,870
120 Rents, rates, taxes and other charges			181
71 Subsidy Limitation Transfer to the General Fund			-
7,150 Negative HRA subsidy payable	7		8,780
18,893 Depreciation and impairment of fixed assets	6		29,428
125 Debt management Costs			103
87 Increased provision for bad or doubtful debts			238
<u>35,412</u> <b>TOTAL EXPENDITURE</b>			<u>47,600</u>
<b>Net cost of HRA services as included in the whole authority income and expenditure account</b>			
<u>14,278</u>			<u>25,816</u>
184 HRA Share of Corporate and Democratic Core			128
<u>14,462</u> <b>NET COST OF HRA SERVICES</b>			<u>25,944</u>
2,805 (Gain) or loss on sale of HRA Fixed Assets			(216)
- Interest Payable			-
- Amortisation of Premiums and Discounts			-
(952) Interest and Investment Income	5		(763)
Pensions interest cost and expected return on pension assets	9		175
1,989 <b>TOTAL APPROPRIATIONS</b>			(804)
<u>16,451</u> <b>DEFICIT/(SURPLUS) FOR THE YEAR</b>			<u>25,140</u>

### STATEMENT OF MOVEMENT ON THE HRA BALANCE

<u>2007/08</u>	<u>2008/09</u>	
£'000	£'000	£'000
16,451 (Surplus) or Deficit for year on HRA I&E		25,140
Net additional amount to be debited or (credited) to the		
(17,936) HRA Balance for the year		(25,669)
(1,485) (Increase) or decrease in HRA Balance		(529)
(2,024) <b>Balance brought forward</b>		(3,509)
(3,509) <b>Balance carried forward</b>		(4,038)

### NOTE TO THE STATEMENT OF THE MOVEMENT OF THE HRA BALANCE

<u>2007/08</u>	<u>2008/09</u>	
£'000	£'000	£'000
<b>Items included in HRA I&amp;E account but excluded from movement on the HRA balance for the year</b>		
Write down of deferred charges to be financed from capital resources		-
- Difference in amounts charged to I&E for amortisation of premiums and discounts		-
Difference between any other item of I&E determined in accordance with the SORP and determined in accordance with statutory HRA requirements		
(14,974)		(25,659)
(2,805) Gains or (Loss) of sale of HRA Fixed Asset		216
(58) Net Charges for FRS17	9	(10)
(17,837) (Increase) or decrease in HRA Balance		(25,453)
 <b>Items not included in the HRA I &amp; E account but included in the movement on HRA balance for the year</b>		
(369) Transfer to/(From) Major Repairs Reserve	3	(216)
- Transfer to/(From) Housing Repairs Account		0
- Voluntary set-aside for debt repayment		0
270 Capital Expenditure funded by HRA	4	0
(99)		(216)
Net additional amount to be debited or (credited) to the		
<b>(17,936)</b> HRA Balance for the year		<b>(25,669)</b>

**NOTES TO HOUSING REVENUE ACCOUNT**

**1. Housing Stock**

	<u>01/04/2008</u>	<u>Sold</u>	<u>Deleted/ Demolished</u>	<u>Additional/ New Build</u>	<u>31/03/09 Totals</u>
<b>Low Rise Flats</b>					
Pre 1919	-	-	-	-	-
1919-1944	43	-	-	-	43
1944-1964	353	-	-	-	353
1964- 1975	669	-	-	-	669
Post 1975	246	-	-	-	246
<b>Medium Rise Flats</b>					
Pre 1919		-	-	-	-
1919-1944	12	-	-	-	12
1944-1964	112	-	-	-	112
1964- 1975	361	-	-	-	361
Post 1975	20	-	-	-	20
<b>High Rise Flats</b>					
Pre 1919	-	-	-	-	-
1919-1944	-	-	-	-	-
1944-1964	-	-	-	-	-
Post 1964	-	-	-	-	-
<b>Houses &amp; Bungalows</b>					
Pre 1919	-	-	-	-	-
1919-1944	539	2	-	-	537
1944-1964	1,675	-	-	1	1,676
1964 - 1975	969	2	-	-	967
Post 1975	237	-	-	-	237
<b>Shared Dwellings</b>					
Dwelling equivalents	-	-	-	-	-
	<u>5,236</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>5,233</u>

**2. Balance Sheet Values of HRA Assets**

	Value at <u>01/04/08</u> £'000	Value at <u>31/03/09</u> £'000
Operational Assets	391,114	354,889
Non-operational Assets	-	-
<b>Total</b>	<u>391,114</u>	<u>354,889</u>
Council Dwellings/Garages	390,388	354,291
Sheltered Housing Offices	67	69
Land	18	13
Shops	641	516
Surplus Buildings	-	-
Surplus Land	-	-
<b>Total</b>	<u>391,114</u>	<u>354,889</u>

The value of the dwellings within the HRA shows the economic value of providing Council Housing at less than open market rents and therefore the value is shown in relation to existing use for social housing. The vacant possession value of dwellings as at 1 April 2008 was £683,522,306

### 3. Major Repairs Reserve

The Major Repairs Reserve income and expenditure relates to Council Houses. The Major Repairs Reserve balance at 31 March can be analysed as follows:-

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Balance as at 1 April	(200)	(200)
Total depreciation charged on all HRA assets	(3,919)	(3,769)
Depreciation in excess of MRA transferred to HRA	369	216
Expenditure in Year	3,550	3,553
Balance as at 31 March	<u>(200)</u>	<u>(200)</u>

### 4. Capital Expenditure and Receipts

Total Capital Expenditure of £6.164 million for the year was financed as follows: -

<u>Land</u>	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Major Repairs Allowance	-	-
Revenue Contributions to Capital	-	-
Capital Receipts	61	27
Supported Borrowing	-	-
	<u>61</u>	<u>27</u>

<u>Houses</u>	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Major Repairs Allowance	3,550	3,553
Revenue Contributions to Capital	270	-
Capital Receipts	261	2,520
Supported Borrowing	646	-
	<u>4,727</u>	<u>6,073</u>

<u>Other Property</u>	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Major Repairs Allowance	-	-
Revenue Contributions to Capital	-	28
Capital Receipts	2	36
Supported Borrowing	-	-
	<u>2</u>	<u>64</u>

The total receipts from the sale of Housing Revenue Account Assets were as follows: -

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Sale of Council Houses	1,599	439
Sale of Land	335	61
Right to Buy discounts repaid	130	22
Principal repayments from mortgages	5	6
	<u>2,069</u>	<u>528</u>

## 5. Capital Charges

### Net Capital Charge to HRA

The net capital charge to or from the Housing Revenue Account, is known as the Item 8 Credit and Item 8 Debit (General) Determination. This charge is based upon the Capital Finance Requirement (previously the credit ceiling) It is calculated as the Capital Finance Requirement (CFR) multiplied by the year's average interest rate of the Public Works Loans Board loans if the CFR is positive or by the average interest rate obtained by the authority for its investments if the CFR is negative. In both 2007/08 and 2008/09 the Capital Finance Requirement was negative and so the latter method was used.

This is as follows: -

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
HRA investment income	(797)	(665)
Contribution to Minimum Revenue Provision for debt repayment	-	-
Interest on cash balances and mortgages	(153)	(97)
Other interest received	(2)	(1)
	<u>(952)</u>	<u>(763)</u>

## 6. Depreciation and Impairment

Depreciation and impairment charged to the Housing Revenue Account is as follows. There is no depreciation and impairment charged to the HRA in respect of non operational assets.

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Depreciation and Impairment Charge - Operational Assets		
Houses - Depreciation	3,919	3,769
Houses - Impairment	14,974	25,659
Other Property	-	-
	<u>18,893</u>	<u>29,428</u>

Impairment relates to a general reduction in value of some council dwellings due to market conditions.

## 7. Surplus to the Department of Communities & Local Government

The transfer of assumed surplus to the Department of Communities & Local Government can be analysed as follows:

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Management and Maintenance	7,682	7,830
Rental Income	(18,212)	(19,977)
Interest Receipts	(170)	(186)
Major Repairs Allowance	3,550	3,553
Total	<u>(7,150)</u>	<u>(8,780)</u>

The removal of rent rebates from the Housing Revenue Account to the General Fund in 2005/06 has resulted in the Authority no longer receiving payments of Housing Subsidy. As a result of this, from 2005/06, the Housing Revenue Account assumed surplus is repayable to the Government.

## 8. Rent Arrears

			<u>31/03/08</u> £'000	<u>31/03/09</u> £'000
Current tenants in arrears	-	Value	426	430
Former tenants in arrears	-	Value	593	447
Amount provided for bad debts			528	390

## 9. The HRA share of contributions to/from the Pension Reserve

The council has now moved to a full implementation of FRS 17 'Retirement Benefits' so that it recognises the council's share of the fund net assets and liabilities plus a pension reserve in the Balance Sheet plus entries in the Housing Revenue Account for changes to those assets and liabilities relating to defined benefit schemes. Appropriate adjustments are made so as to ensure that the sum required for funding by the housing rent is equal to the actual contribution paid to the fund, as previously.

The following transactions have been made through the HRA:

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Cash Contributions	(280)	(290)
Current Service Costs	202	125
<b>Sub-total</b>	<b>(78)</b>	<b>(165)</b>
Pension Interest Costs	547	521
Expected Return on Assets	(411)	(346)
<b>Sub-total</b>	<b>136</b>	<b>175</b>
<b>Appropriation from Pension Fund</b>	<b>(58)</b>	<b>(10)</b>

**COLLECTION FUND REVENUE ACCOUNT**

<u>2007/08</u> £'000		<u>2008/09</u> £'000
	<b>Income</b>	
59,152	Income collectable from council tax-payers	62,007
6,690	Council Tax Benefits	7,264
37,277	Income collectable from business rate-payers	40,725
(522)	Provision for uncollectable amounts	(322)
102,597	Total Income	109,674
	<b>Expenditure</b>	
54,653	Bedfordshire County Council, Police and Fire Precepts (Note 3)	57,891
10,463	South Bedfordshire District Council Precept (Note 3)	11,076
37,115	Payment to N.N.D.R. pool (Note 2)	40,560
162	Transfer to General Fund re Cost of N.N.D.R. collection	164
102,393	Total expenditure	109,691
<b>(204)</b>	<b>(Surplus)/Deficit for Year</b>	<b>17</b>
	<b><u>Collection Fund Revenue Account Balance</u></b>	
40	Balance at beginning of year	(164)
(204)	(Surplus)/Deficit for Year	17
<b>(164)</b>	Balance at end of year (Note 4)	<b>(147)</b>

## NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

### Introduction

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. South Beds District Council (SBDC) collects the council tax on behalf of Bedfordshire County Council, Bedfordshire Police, Bedfordshire Fire and Rescue Service and itself. Town and parish council requirements form part of the sum precepted by SBDC.

### Notes:-

#### 1. Council Tax Base

The tax base calculation is derived by first multiplying the estimated number of domestic properties in each tax band less exemptions by a weighting factor. This result is then reduced by a percentage to allow for losses on collection and reductions through appeals.

This calculation is summarised as follows:-

Tax Band	Property Number Less Exemptions and Discounts	Weighting Factor	Band D Equivalent	Allowance for losses	Tax Base
A*	7	5/9	4	-	4
A	4,061	6/9	2,707	(27)	2,680
B	9,230	7/9	7,179	(72)	7,107
C	13,442	8/9	11,949	(120)	11,829
D	9,233	9/9	9,233	(92)	9,141
E	5,044	11/9	6,165	(62)	6,103
F	2,593	13/9	3,746	(38)	3,708
G	1,527	15/9	2,545	(25)	2,520
H	95	18/9	191	(2)	189
	45,232		43,719	(438)	43,281

#### 2. Business Ratepayers

	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Total non-domestic rateable value at year end	102,202	101,507
National non-domestic rate multiplier#	44.1	45.8
Product of year end value and multiplier	45,071	46,490
Outturn payment to N.N.D.R. pool	37,115	40,560

In 2005/06 the Government introduced a higher multiplier for those businesses whose property rateable value was over £15,000. For 2007/08 and 2008/09 this was 44.4 and 46.2 respectively.



### 3. Major Precepting Authorities

The major precepting authorities on the Collection Fund are:-

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Bedfordshire County Council	46,164,297	48,623,557
Bedfordshire Police Authority	5,264,623	5,854,891
Bedfordshire and Luton Combined Fire Authority	3,224,544	3,412,179
South Bedfordshire District Council	<u>10,463,342</u>	<u>11,076,318</u>
	<u>65,116,806</u>	<u>68,966,945</u>

### 4. Apportionment of Collection Fund Balance

The Collection Fund balance as at 31 March 2009 is taken into account when each of the precepting councils determine their council tax requirements. Central Bedfordshire, as the tax collecting authority since 1st April 2009, will estimate the balance on the fund at the end of a particular year (in the January of that year) and apportion that balance to the preceptors. They will then take this into account when setting their next year's council tax.

For 2008/09 SBDC estimated the balance as at 31 March 2009 as NIL. The outturn position is a deficit of £17k. When combined with the opening position of a surplus of £164k this results in a net surplus of £147k as at 31 March 2009. Because the council tax for 2009/10 has already been set, based on the estimated position of NIL, this surplus will be considered when setting council taxes for 2010/11 - along with any estimated amount for the fund outturn for 2009/10.

However, from 1 April 2009, Bedfordshire County Council, South and Mid Bedfordshire District Councils have been abolished, and two new unitary councils have been established - Bedford and Central Bedfordshire. The net surplus of £147k will be apportioned in 2009/10 to Central Bedfordshire, Bedfordshire Police and Bedfordshire Fire only as follows:

	South Beds DC £	Beds County £	Beds Police £	Beds Fire £	Total £
Council Tax	23,685	103,972	12,520	7,296	147,473
	<u>23,685</u>	<u>103,972</u>	<u>12,520</u>	<u>7,296</u>	<u>147,473</u>

### 5. Provisions for Bad and Doubtful Debts

Provision has to be made for amounts due which become uncollectable and are subsequently written off in respect of Non Domestic Rates and Council Tax. Details of the provisions for bad debts are shown below:

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Council Tax	895,929	1,008,754
Business Rates	176,660	318,221
Total Provision	<u>1,072,589</u>	<u>1,326,975</u>

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **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 the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources;

to manage its affairs to secure economic, efficient and effective use of the resources and safeguard its assets; and

to approve the Statement of Accounts.

### **The Director of Corporate Resources's Responsibilities**

The Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the SORP').

In preparing this statement the Director of Corporate Resources has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent; and

complied with the Code of Practice.

The Director of Corporate Resources has also:

kept proper accounting records which were up to date; and

taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Director of Corporate Resources:

verifies the Statement of Accounts fairly presents the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

Clive Heaphy C.P.F.A.  
Director of Corporate Resources