



# **Annual Statement of Accounts**

Central Bedfordshire Council  
2010/11



# CENTRAL BEDFORDSHIRE COUNCIL

## STATEMENT OF ACCOUNTS 2010/11

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## EXPLANATORY FOREWORD

### Introduction to the Statement of Accounts – John Unsworth Chief Finance Officer

As the Council's statutory Chief Finance Officer, I have set out below the explanatory foreword to Central Bedfordshire Council's Statement of Accounts for 2010/11.

#### **Introduction of International Financial Reporting Standards**

2010/11 represents the first year of International Financial Reporting Standards (IFRS) implementation. Local government bodies have now adopted IFRS and have produced their 2010/11 accounts on this basis. The key changes resulting from the conversion from UK GAAP (Generally Accepted Accounting Practice) requirements to IFRS are as follows:

- Fixed assets have been measured and recorded differently, particularly as a result of revaluation bases, impairment, revaluation losses and a stronger emphasis on component accounting. Specific consideration will need to be given to the capitalisation or reclassification of software and development costs
- Outstanding holiday pay has been valued and accrued
- Lease categorisations have changed and leases for land and buildings have been separated in all cases
- Private Finance Initiative (PFI) assets have been reported in the public sector's balance sheet based on a series of 'control' tests rather than 'risk and reward'
- Presentation of financial statements, including supporting disclosure notes, has significantly changed
- Treatment of capital grants.

The adoption of IFRS reporting requirements has also required the restatement of the opening balances of the two previous financial years.

#### **Our Key Priorities**

During 2010/11 key priorities have been within the following objectives:

- Supporting and caring for an ageing population
- Educating, protecting and providing opportunities for children and young people
- Managing growth effectively
- Creating safer communities
- Promoting healthier lifestyles

Work on these aims has resulted in positive performance in a number of areas including:

- Ensuring truly vulnerable adults are safeguarded
- Enabling people to make appropriate choices to meet their own needs & enabling the 'market' to respond to their needs
- Safeguarding vulnerable children and, raising educational attainment at GCSE level
- Ensuring housing growth is complemented by growth of businesses and jobs
- Supporting the provision of a suitable mix / quality of housing to meet the needs of current and future communities
- Ensuring our safe areas are maintained
- Maintaining a clean area, with increased emphasis on localised solutions

- Enabling communities to lead healthier lifestyles

Further work will continue to focus on improving outcomes for communities in Central Bedfordshire in line with the Council priorities, whilst maintaining strong focus on delivering further efficiencies and therefore maximising the use of our resources in frontline services.

### **Financial Performance**

It has been a difficult year financially in the Council and we have continued our programme to operate more effectively and, wherever possible, to protect front line services.

We have delivered a good financial result, achieving a modest surplus for the year and improving our General Fund from the low level arising from the creation of the Council in April 2009.

This is substantially due to the £12m efficiency savings delivered in the year, which leaves us well placed in the face of another difficult financial year in 2011/12.

This explanatory foreword and notes that follow will give you a picture of how the figures make up our financial statement of accounts. The statement of accounts is required by law and sets out statutory financial accounting reporting requirements and other relevant information. Although the format is generally set out fairly tightly by the financial regulations, the supporting notes are aimed at providing a more straightforward explanation of the often complicated Local Government financial arrangements.

### **John Unsworth**

Chief Finance Officer

### **Central Bedfordshire Council,**

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1. The Council:

Central Bedfordshire Council was created on 1 April 2009 following a decision by the Secretary of State for Communities and Local Government to restructure local government within Bedfordshire. This involved the creation of two unitary Councils, Central Bedfordshire and Bedford Borough, to replace the former Bedfordshire County Council, Bedford Borough and the district Councils of Mid and South Bedfordshire.

2. The Accounting Statements:

a) **The Statement of Responsibilities for the Statement of Accounts** (page 91), which sets out the responsibilities of both the Council and its responsible Finance Officer for the preparation of the accounts.

b) **The Statement of Accounting Policies** (page 20), which states the main principles used to compile the Council's accounts.

c) **The Movement in Reserves Statement** (page 12), shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement.

c) **The Comprehensive Income & Expenditure Statement** (page 14), which is a summary of the income and expenditure received and used to provide services during the year and shows how the net cost of services has been paid for from government grants and income from local taxpayers.

d) **The Balance Sheet** (page 16), which shows the financial position of the Council at the year-end. It includes information on the level of balances and reserves held, the long-term indebtedness of the Council, the fixed and net current assets employed in delivering services and summarised information on fixed assets.

e) **The Cash Flow Statement** (page 18), which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

f) **The Housing Revenue Account Income and Expenditure Statement and Movement on HRA Statement** (page 83), which summarises the transactions in the year in respect of the provision of Council housing within the area of the former South Bedfordshire District Council.

g) **The Collection Fund** (page 88), which shows the transactions of the Council, as billing Council, in relation to National Non-Domestic Rates and Council Tax and how the balance on the Collection Fund has been distributed to the Government, preceptors and the General Fund.

3. The Revenue Outturn Position:

The net revenue budget for 2010/11 was set at £177.0m (£170.6m 2009/10). At 31 March 2011, the net revenue outturn for the year was £176.6m (£178.9m 2009/10); this is an underspend in the year of £0.328m (overspend of £8.3m 2009/10).

The overall position is analysed by directorate in the following table:

<u>Directorate</u>	<u>Approved Budget £000</u>	<u>Outturn including transfers to/from reserves £000</u>	<u>Variance £000</u>
Social Care, Health and Housing	50,976	50,569	(407)
Childrens' Services	32,310	32,968	658
Sustainable Communities	47,310	45,482	(1,828)
Customer and Shared Services	22,447	25,166	2,719
Office of the Chief Executive	4,469	4,236	(233)
Contingency and Reserves	4,077	2,788	(1,289)
Corporate Costs	15,439	15,492	53
<b>Net expenditure on services</b>	<b>177,028</b>	<b>176,701</b>	<b>(327)</b>
<b>Sources of funding:</b>			
Formula Grant	50,714		
Council Tax	126,314		
<b>Total Grants &amp; local taxation</b>	<b>177,028</b>		

The balance on General Fund has also been increased by £1.5m in accordance with our Medium Term Financial Plan, and now stands at a £7.0m which is on track to be at the optimum level by 2015.

#### Social Care, Health and Housing

The full year outturn position for 2010/11 is an underspend of £0.4m. For older people, care package expenditure was over budget by £1.2m. The main cause was in dementia residential and home care due to the increase in numbers and the increased complexity of care required.

For people with learning disabilities, care package expenditure was over budget by £0.8m. This reflects higher than budgeted transition costs plus costs arising from the emergency closure of an in-house respite unit and additional cross boundary charges.

These were offset by additional customer income received in the Business and Performance service area relating to care packages, savings made from learning disability contracts within commissioning, additional income from gypsy and traveller sites and the close management of the homelessness budgets within Housing.

#### Children's Services

The full year outturn position for 2010/11 is an overspend of £0.6m. The overspend mainly relates to the number of children requiring social care intervention and also out of county placements for children with special educational needs. The needs-led pressure on the social care and special educational needs budgets remain and have been contained as much as possible by management action to challenge resource allocation on a case by case basis. The overspend in Safeguarding relating to the increased numbers amount to £2.8M.

In year savings in the Music Service were partly achieved against the Music Standards Fund (MSF). 2011/12 will see the Music Service funding moving to grant funding and charging for music lessons at full cost recovery.

#### Sustainable Communities

The full year outturn underspend after the use of reserves was £1.9m. This includes £0.7m of earmarked reserves that were released as no longer required. All five divisions of the directorate operated under budget after these releases of reserves.

### Customer and Shared Services

The year end outturn after planned use of reserves is an overspend of £2.7m overspend.

The main areas of overspend are in assets, finance, people and systems. They can be identified as:

- Systems, staffing and contractor costs to ensure resilience of all ICT systems following the integration of systems
- Staff cost pressures particularly in the revenues and benefits team to address backlogs and increased demands, with claims up 12% in the year;
- Income levels have proved difficult to achieve in Assets due to recessionary pressures and accommodation costs have increased where costs had previously been capitalised.
- People, staffing pressures due to the loss of unbudgeted transitional funding.

### Office of the Chief Executive

The outturn is an underspend of £0.2m due to underspends on staff costs and lower residency survey costs.

### Corporate Costs

The under spend on corporate costs is mainly due to the release of historic accruals that are no longer required.

### Contingency and Reserves

The Council has retained earmarked reserves of £12.1m that are retained against specific projects that would have otherwise been incurred against the General Fund.

<b>Balances available to the Council General Fund</b>	<b>£'000</b>	<b>£'000</b>
Insurance	3,059	
Redundancy	2,117	
Service based	5,853	
Schools Contingency	1,062	
		<b>12,091</b>
<b>Balances not available to the Council General Fund</b>		
HRA Earmarked Reserve	46	
Schools	11,332	
		<b>11,378</b>
<b>Total</b>		<b>23,469</b>

#### 4. The Capital Outturn Position:

The capital programme outturn is £8.9m below the budget, due to a mid year review of the programme to reduce costs and a delay in some key programmes.

The capital programme net budget was set at £30.717m for 2010/11 (£31.978m for 2009/10). The net outturn position for the year totalled £21.556m for 2010/11 (£22.448m for 2009/10), an overspend of £1.356m. This is analysed across the services as follows:

	Revised Full Year Budget	Actual net Spend	Variance
<b>Directorate</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Social Care, Health and Housing	2,562	1,842	(720)
Children's services	3,492	1,433	(2,059)
Sustainable Communities	10,436	7,271	(3,165)
Customer and Shared Services	7,793	4,784	(3,009)
Office of the Chief Executive	260	55	(205)
<b>Sub Total</b>	<b>24,543</b>	<b>15,385</b>	<b>(9,158)</b>
Housing Revenue Account	6,174	6,171	(3)
<b>Total</b>	<b>30,717</b>	<b>21,556</b>	<b>(9,161)</b>

#### 5. Capital Resources:

The Council was successful in its application to capitalise redundancy costs arising from the Senior Management Review and resulting from the reduction in Area Based Grant. The capitalisation directive agreed by the Department for Communities and Local Government equated to £0.4m. The Housing Revenue Account's capital programme is funded through the Major Repairs Allowance (£3.7m) usable capital receipts (£1.6m) and revenue contribution (£0.9m).

The Council holds capital receipts totalling £2.6m which is available to finance capital spending or reduce outstanding debt. During 2010/11, the Council received a total of £20.0m (£20.5m 2009/10) from the Government as specified capital grants, and grants and contributions from other sources totalling £9.8m (£12.1m for 2009/10) to provide support to the capital programme.

A PFI credit of £1.88m (£1.88m 2009/10) was also received from the Department of Communities and Local Government in respect of the contract with Bedfordshire Education Partnership Ltd for the provision of new and refurbished buildings at two schools in Bedfordshire.

#### 6. Borrowing:



Within its Treasury Management Strategy, the Council approved an authorised borrowing limit for 2010/11 of £221m (£360m 2009/10). During the year the Council took out no additional borrowing.

7. Investments:

The Council had investments totalling £ 50.1m at 31 March 2011 (£60.1m at 31 March 2010). This represents the investment of surplus revenue and capital funds, which generated investment income of £1.4m in the year (£2.1m 2009/10), against a budget of £1.5m (£2.3m 2009/10).

The current yield on investments of 1.74% (before fees) (1.9% 2009/10) has reduced from last year. This is due to the increase in the level of internal resources utilised to fund capital expenditure.

The investments are managed by a combination of internal and external sources, as follows:

	<u>£'000</u>
Internally Managed	41,000
Liquidity Account	4,475
Externally Managed Lime fund	4,602
	<b>50,077</b>

6. Defined Benefit Pension Scheme:

The deficit on the Local Government Pension Scheme, which is administered by Bedford Borough Council, stood at £197.3m at 31 March 2011 (£326.4m at 31 March 2010). This has improved during the year due to the increase in the value of stock market equity investments.

Full details can be found in note 47 to the Balance Sheet.

7. Efficiencies:

The 2010/11 revenue outturn includes £12.0m of efficiencies which were achieved during the year. The following level of savings were made in services as follows:

- £0.2m Office of the Chief Executive
- £3.1m Childrens' Services
- £2.8m Customer and Shared Services
- £2.7m Social Care, Health and Housing
- £3.2m Sustainable Communities

The major efficiency savings (over £250k) that were achieved are as follows:

- £0.9m Reduction in management costs
- £0.4m Home to school transport policy changes
- £0.3m Savings in financing costs
- £0.4m Additional Social Care, Health & Housing income
- £0.5m Revised pricing on key ICT agreements
- £0.3m Area Based Grant Needs (CSO)
- £0.4m Special education needs contingency (CSO)

- £0.4m Re-alignment of funding for special grant services  
Most savings are individually below £250k.

8. Housing Revenue Account (HRA):

The balance on the Housing Revenue Account (HRA) has reduced by £0.482m during the year. The main reason is increased costs of day to day repairs of £0.5m.

9. Council Tax Collection:

The collectable amount in respect of 2010/11 Council Tax was £140m. The Council achieved a collection rate of 97.6% (97.2% 2009/10).

Council tax arrears amounted to £10.2m as at 31 March 2011 (£9.4m as at 31 March 2010). £5.6m of these arrears relate to 2010/11 billing which is expected to be substantially collected during 2011/12.

## CORE FINANCIAL STATEMENTS

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable' reserves i.e. those that can be applied to fund expenditure or reduce local taxation, and other 'unusable' reserves. The Surplus / Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes.

The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are unusable reserves, i.e. those reserves that the Council may not use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## MOVEMENT IN RESERVES STATEMENT

<u>Usable 2010/11</u>	General	General Fund	HRA	HRA	Capital	Capital Grants	Major	Schools	Usable
	Fund	Earmarked		Earmarked	Receipts	Unapplied	Repairs		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance @ 31st March 2010</b>	<b>(5,163)</b>	<b>(10,574)</b>	<b>(4,223)</b>	<b>(60)</b>	<b>(30,942)</b>	<b>0</b>	<b>(200)</b>	<b>(9,028)</b>	<b>(60,191)</b>
<b>Movement in Reserves during 2010/11:</b>									
(Surplus)/deficit on provision of services	(30,812)	0	36,282	0	0	0	0	0	5,470
Other Comprehensive I&E	1,538	0	0	0	0	0	0	0	1,538
<b>Total Comprehensive I&amp;E</b>	<b>(29,274)</b>	<b>0</b>	<b>36,282</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,008</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	25,931	0	(35,787)	0	28,374	(1,480)	0	(2,304)	14,736
<b>Net increase/decrease before transfers to Earmarked Reserves</b>	<b>(3,343)</b>	<b>0</b>	<b>495</b>	<b>0</b>	<b>28,374</b>	<b>(1,480)</b>	<b>0</b>	<b>(2,304)</b>	<b>21,744</b>
Transfers (to)/from Earmarked Reserves (note 8)	1,516	(1,516)	(14)	14	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(1,827)</b>	<b>(1,516)</b>	<b>481</b>	<b>14</b>	<b>28,374</b>	<b>(1,480)</b>	<b>0</b>	<b>(2,304)</b>	<b>21,744</b>
<b>Balance @ 31st March 2011</b>	<b>(6,990)</b>	<b>(12,091)</b>	<b>(3,742)</b>	<b>(46)</b>	<b>(2,568)</b>	<b>(1,480)</b>	<b>(200)</b>	<b>(11,332)</b>	<b>(38,448)</b>

<u>Unusable 2010/11</u>	Revaluation	Available For Sale	Pensions	Capital Adjustment a/c	Deferred Capital Receipts	Financial Instrument	Collection Fund	Single Status	Short term Accumulated Absence	Unusable Total	GRAND Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance @ 31st March 2010</b>	<b>(43,163)</b>	<b>415</b>	<b>326,356</b>	<b>(870,759)</b>	<b>(72)</b>	<b>2,505</b>	<b>0</b>	<b>2,625</b>	<b>8,013</b>	<b>(574,080)</b>	<b>(634,271)</b>
<b>Movement in Reserves during 2010/11:</b>											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	5,470
Other Comprehensive I&E	(9,779)	(359)	(73,200)	0	0	0	0	0	0	(83,338)	(81,800)
<b>Total Comprehensive I&amp;E</b>	<b>(9,779)</b>	<b>(359)</b>	<b>(73,200)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(83,338)</b>	<b>(76,330)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	2,923	342	(55,874)	43,264	0	(440)	0	(2,625)	(2,326)	(14,736)	0
<b>Net increase/decrease before transfers to Earmarked Reserves</b>	<b>(6,856)</b>	<b>(17)</b>	<b>(129,074)</b>	<b>43,264</b>	<b>0</b>	<b>(440)</b>	<b>0</b>	<b>(2,625)</b>	<b>(2,326)</b>	<b>(98,074)</b>	<b>(76,332)</b>
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(6,856)</b>	<b>(17)</b>	<b>(129,074)</b>	<b>43,264</b>	<b>0</b>	<b>(440)</b>	<b>0</b>	<b>(2,625)</b>	<b>(2,326)</b>	<b>(98,074)</b>	<b>(76,332)</b>
<b>Balance @ 31st March 2011</b>	<b>(50,019)</b>	<b>398</b>	<b>197,283</b>	<b>(827,494)</b>	<b>(72)</b>	<b>2,065</b>	<b>0</b>	<b>0</b>	<b>5,687</b>	<b>(672,153)</b>	<b>(710,601)</b>

<b>Usable 2009/10</b>	General Fund	General Fund Earmarked	HRA	HRA Earmarked	Capital Receipts	Capital Grants Unapplied	Major Repairs	Schools	Usable Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance @ 31st March 2009</b>	(2,386)	(23,804)	(4,039)	0	(31,909)	0	(200)	(8,996)	(71,334)
<b>Movement in Reserves during 2009/10:</b>									
(Surplus)/deficit on provision of services	52,619	0	14,454	0	0	0	0	0	67,073
Other Comprehensive I&E	(5,286)	0	0	0	0	0	0	0	(5,286)
<b>Total Comprehensive I&amp;E</b>	<b>47,333</b>	<b>0</b>	<b>14,454</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,787</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(36,879)	0	(14,698)	0	967	0	0	(32)	(50,642)
<b>Net increase/decrease before transfers to Earmarked Reserves</b>	<b>10,454</b>	<b>0</b>	<b>(244)</b>	<b>0</b>	<b>967</b>	<b>0</b>	<b>0</b>	<b>(32)</b>	<b>11,145</b>
Transfers (to)/from Earmarked Reserves (note 8)	(13,230)	13,230	60	(60)	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(2,777)</b>	<b>13,230</b>	<b>(184)</b>	<b>(60)</b>	<b>967</b>	<b>0</b>	<b>0</b>	<b>(32)</b>	<b>11,145</b>
<b>Balance @ 31st March 2010</b>	<b>(5,163)</b>	<b>(10,574)</b>	<b>(4,223)</b>	<b>(60)</b>	<b>(30,942)</b>	<b>0</b>	<b>(200)</b>	<b>(9,028)</b>	<b>(60,191)</b>

<b>Unusable 2009/10</b>	Revaluation	Available For Sale	Pensions	Capital Adjustment a/c	Deferred Capital Receipts	Financial Instrument	Collection Fund	Single Status	Short term Accumulated Absence	Unusable Total	GRAND Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance @ 31st March 2009</b>	(31,968)	634	158,326	(916,359)	(72)	442	(128)	2,624	6,086	(780,415)	(851,750)
<b>Movement in Reserves during 2009/10:</b>											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	67,073
Other Comprehensive I&E	(11,981)	(340)	168,013	0	0	0	0	0	0	155,692	150,406
<b>Total Comprehensive I&amp;E</b>	<b>(11,981)</b>	<b>(340)</b>	<b>168,013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>155,692</b>	<b>217,479</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	786	121	17	45,600	0	2,063	128	1	1,927	50,643	1
<b>Net increase/decrease before transfers to Earmarked Reserves</b>	<b>(11,195)</b>	<b>(219)</b>	<b>168,030</b>	<b>45,600</b>	<b>0</b>	<b>2,063</b>	<b>128</b>	<b>1</b>	<b>1,927</b>	<b>206,335</b>	<b>217,480</b>
Transfers (to)/from Earmarked Reserves (note 8)	0	0	0	0	0	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(11,195)</b>	<b>(219)</b>	<b>168,030</b>	<b>45,600</b>	<b>0</b>	<b>2,063</b>	<b>128</b>	<b>1</b>	<b>1,927</b>	<b>206,335</b>	<b>217,480</b>
<b>Balance @ 31st March 2010</b>	<b>(43,163)</b>	<b>415</b>	<b>326,356</b>	<b>(870,759)</b>	<b>(72)</b>	<b>2,505</b>	<b>0</b>	<b>2,625</b>	<b>8,013</b>	<b>(574,080)</b>	<b>(634,271)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<u>2009/10</u>			<u>2010/11</u>		
<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000	<u>Gross Expenditure</u> £'000	<u>Gross Income</u> £'000	<u>Net Expenditure</u> £'000
<b>Service Analysis</b>					
69,238	(67,036)	2,202	85,193	(78,426)	6,767
702	(409)	293	0	(0)	0
56,067	(13,333)	42,734	52,450	(9,873)	42,577
325,069	(268,728)	56,341	320,730	(266,391)	54,339
22,824	(3,364)	19,460	26,516	(4,325)	22,191
40,469	(26,091)	14,378	67,049	(26,733)	40,316
9,243	(3,306)	5,937	10,231	(4,465)	5,766
85,878	(29,960)	55,918	92,785	(33,713)	59,072
4,549	(2,205)	2,344	5,776	(612)	5,164
13,277	(2,819)	10,458	(60,783) <sup>1</sup>	(1,501)	(62,284)
<b>627,316</b>	<b>(417,251)</b>	<b>210,065</b>	<b>599,947</b>	<b>(426,039)</b>	<b>173,908</b>
<b>Cost of Services</b>					
<b>Notes</b>					
<b>Other Operating Expenditure</b>					
		8,133		9	8,504
		653			8,504
		(828)			672
		29,614			621
		37,572			33,065
					42,862
<b>Financing and Investment Income and expenditure</b>					
		7,028		10	5,718
		2			94
		1,318			1,623
		29,350			34,708
		(16,235)			(23,446)
		(2,084)			(1,393)
		(7,907)			(5,861)
		0			47
		(2,189)			(1,714)
		1,066			381
		10,350			10,157
		0			0
<b>(Surplus)/Deficit of Discontinued Operations</b>					

continued

<sup>1</sup> Includes £62,767k credit from Pension Fund Actuary's report for "past service costs" related to the Council.

	<b>Taxation and Non-Specific Grant Income</b>	11	
(129,901)	Council tax		(134,646)
(40,146)	National Non-Domestic Rates (NNDR)		(44,284)
(9,266)	Revenue Support Grant (RSG) and non-ring fenced government grants		(18,087)
(11,601)	Non-service related government grants		(24,440)
(190,914)			(221,457)
67,073	<b>(Surplus)/Deficit on Provision of Services</b>		5,470
	(Surplus)/deficit on revaluation of non-current assets;		
(11,749)	Revaluation gains		(14,181)
(232)	Revaluation losses (chargeable to Revaluation Reserve)		4,402
(340)	(Surplus)/deficit on revaluation of available for sale assets		(359)
168,013	Actuarial (gain)/losses on pensions asset/liabilities		(73,200)
(5,286)	Other		1,538
150,406	<b>Other Comprehensive Income and Expenditure-(Surplus)/Deficit</b>		(81,800)
217,479	<b>Total Comprehensive Income and Expenditure-(Surplus)/Deficit</b>		(76,330)

**BALANCE SHEET**

<u>1<sup>st</sup> April</u> <u>2009</u> <u>£'000</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2010</u> <u>£'000</u>		<u>Note</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2011</u> <u>£'000</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2011</u> <u>£'000</u>
		<u>Property, Plant &amp; Equipment:</u>			
354,889	339,593	Council Dwellings	12	297,707	
549,728	529,657	Other Land and Buildings		507,358	
8,026	8,946	Vehicles, Plant, Furniture and Equipment		7,832	
139,311	146,270	Infrastructure Assets		156,096	
2,377	2,027	Community Assets		1,958	
25,642	30,246	Assets under Construction		30,467	
2,062	1,802	Surplus assets not held for sale		1,951	
127	77	Finance leases (CBC lessee)- Fleet vehicles	41	37	
0	0	Finance leases (CBC lessee)- Multi functional devices printers equipment	41	1,121	
1,082,162	1,058,618				1,004,527
		<u>Investment Properties:</u>			
48,959	56,856	Investment Properties	13	63,462	
48,959	56,856				63,462
		<u>Intangible Assets</u>			
4,622	4,922	Software	14	5,744	
4,622	4,922				5,744
		<u>Long Term Investments:</u>			
5,188	5,936	Non property investments	15	4,602	
5,188	5,936				4,602
		<u>Long Term Debtors</u>			
845	712	Long Term General Debtors (>1 year)	15	654	
845	712				654
<b>1,141,776</b>	<b>1,127,044</b>	<b>Long Term Assets</b>			<b>1,078,989</b>
56,683	54,737	Short Term Investments- principal	15	41,000	
1,485	708	Short Term Investments- principal		536	
0	660	Assets Held for Sale	20	855	
		<u>Inventories:</u>			
42	46	Stocks and Works in Progress	16	48	
		<u>Short Term Debtors</u>			
66,321	56,435	General Debtors (<1 year)	18	64,323	
39,786	16,595	Cash and Cash Equivalents	19	5,057	
<b>164,317</b>	<b>129,181</b>	<b>Current Assets</b>			<b>111,820</b>

continued



(1,449)	(5,006)	Short Term Borrowing	15	(646)
		<u>Short Term Creditors</u>	21	
(86,189)	(68,992)	General Creditors (within one year)		(57,632)
(46)	(43)	Finance Leases Creditors (<1 year)- Fleet vehicles		(19)
0	0	Finance Leases Creditors (<1 year)- Multi functional devices printers equipment		(371)
(3,586)	(5,742)	Provisions	22	(3,908)
(6,086)	(8,013)	Provisions- accumulated absences		(5,687)
<b>(97,356)</b>	<b>(87,795)</b>	<b>Current Liabilities</b>		<b>(68,262)</b>
		<u>Long Term Creditors</u>	15	
(75)	(35)	Long Term Finance Leases Creditors (>1 year)- Fleet Vehicles		(16)
0	0	Long Term Finance Leases Creditors (>1 year)- Multi functional devices printers equipment		(560)
(20,459)	(19,716)	Private Finance Initiative (PFI)	42	(19,157)
(3,466)	(3,126)	Provisions	22	0
(154,372)	(154,183)	Long Term Borrowing	15	(153,621)
		<u>Other Long Term Liabilities:</u>	15	
(158,326)	(326,355)	Liability to Defined Benefit Pension Scheme		(197,282)
(10)	(11)	Investment funds		(34)
(20,279)	(30,733)	Capital Grants (receipts in advance)	38	(41,274)
<b>(356,987)</b>	<b>(534,158)</b>	<b>Long Term Liabilities</b>		<b>(411,945)</b>
<b>851,750</b>	<b>634,271</b>	<b>Net Assets</b>		<b>710,601</b>
		<u>Usable Reserves</u>	23	
(2,386)	(5,163)	General Fund (GF) Reserve		(6,990)
(23,804)	(10,574)	GF Earmarked Reserves		(12,091)
(4,039)	(4,223)	Housing Revenue Account (HRA) Balance		(3,742)
(0)	(60)	HRA Earmarked Reserves		(46)
(31,909)	(30,942)	Usable Capital Receipts Reserve		(2,568)
(0)	(0)	Capital Grants Unapplied		(1,480)
(200)	(200)	Major Repairs Reserve		(200)
(8,996)	(9,028)	Schools Reserve		(11,332)
(71,334)	(60,191)			(38,448)
		<u>Unusable Reserves</u>	24	
(31,968)	(43,163)	Revaluation Reserve		(50,019)
634	415	Available for sale Fin Instruments Reserve		398
(916,359)	(870,759)	Capital Adjustment Account		(827,494)
442	2,505	Financial Instruments Adjustment account		2,065
158,326	326,356	Pension Reserve		197,283
(72)	(72)	Deferred Capital Receipts		(72)
(128)	(0)	Collection Fund Adjustment Account		0
2,624	2,625	Unequal Pay Back Pay Account (Single Status)		0
6,086	8,013	Short Term Accumulating Compensated Absences		5,687
(780,415)	(574,080)			(672,153)
<b>(851,750)</b>	<b>(634,271)</b>	<b>Total Reserves</b>		<b>(710,601)</b>

## CASH FLOW STATEMENT

2009/10 £'000		Note	2010/11 £'000	2010/11 £'000
(67,073)	<b>Net surplus/(deficit) on the provision of services</b>			(5,470)
	<b>Adjustment net surplus/(deficit) on the provision of services for non-cash movements</b>			
29,934	- Depreciation and impairment		24,385	
(3,453)	- Deferred grants amortised in year		0	
2,165	- Pension fund adjustment		55,873	
41,592	- Other movements in General Fund		(16,591)	
4,473	- Repayment of loans		5,570	
359	- Revenue contribution to capital		667	
1,816	- Contributions to provisions		(4,960)	
(8,657)	- Contributions to capital reserves		(16,399)	
(13,327)	- Contributions to revenue reserves		7,159	
<u>54,902</u>				<u>55,704</u>
	<b>Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities</b>			
4,199	- Interest and investment income		4,765	
(224)	- Revenue expenditure financed from capital under statute (REFCUS)		(12,103)	
0	- Gain/(loss) on disposal of assets		(32,421)	
(4)	- (Increase)/decrease in stock		(2)	
12,669	- (Increase)/decrease in debtors		(7,952)	
(19,268)	- (Increase)/decrease in creditors		(8,702)	
<u>(2,628)</u>				<u>(56,415)</u>
<b>(14,798)</b>	<b>Net cash flows from operating activities- inflow/(outflow)</b>	25		<b>(6,181)</b>
	<b>Investing activities</b>	26		
(43,061)	- Purchase of Property, Plant & Equipment, investment properties and intangible assets		(42,769)	
1,698	- Purchase of short term and long term investments		1,497	
(8,201)	- Other payments for investing activities		(5,456)	
18,604	- Proceeds from the sale of Property, Plant & Equipment, investment properties and intangible assets		1,206	
2,106	- Capital grants		32,374	
2,599	- Proceeds from short term and long term investments		13,909	
12,939	- Other receipts from investing activities		0	
<u>(13,316)</u>				<u>761</u>
	<b>Financing activities</b>	27		
0	- Other receipts from financing activities		6	
0	- Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(559)	
4,993	- Repayments of short term and long term borrowing		(5,565)	
<u>4,993</u>				<u>(6,118)</u>
<b>(23,122)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>(11,538)</b>
39,716	Cash and cash equivalents at 1st April			16,595
16,595	Bank current account		5,057	
<b>16,595</b>	<b>Cash and cash equivalents at 31st March</b>	19		<b>5,057</b>

## NOTES TO THE STATEMENT OF ACCOUNTS

### CONTENTS:

The following notes are included in the accounts to aid the reader in the interpretation of the core financial statements.

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## Note 1) Accounting policies

### a) Accruals of Expenditure and Income

Income and expenditure is accounted for in the year it takes place, not simply when cash is paid or received. In particular;

Customer and client receipts in the form of sales, fees, charges and rents are accounted for in the period to which they relate. Where income has been recognised but cash has not yet been received, a debtor is recorded within the Balance Sheet.

Where there is uncertainty that all the income accrued and accounted for will be collected, a provision for bad debts is created by a charge to services within the Comprehensive Income and Expenditure Statement to reflect the value of the income that may not be received.

Where income has been received in the year in relation to activities to be carried out in the following financial year, a receipt in advance is recorded in the Balance Sheet.

Employee costs are charged in full to the accounts of the period within which the employee worked. Accruals are made for salaries and wages earned but unpaid at the year end.

Supplies and Services are accounted for in the period during which they were consumed or received. An accrual is made for all material sums unpaid at the year end for goods and services consumed or received by that date and a creditor is recorded within the Balance Sheet. If there is a gap between the receipt of goods and their consumption, then they are carried as inventories within the Balance Sheet.

Where expenditure has taken place within the year that relates to activities to be carried out in the following financial year, a payment in advance is recorded within the Balance Sheet.

Works are charged as expenditure as they are completed, before which they are treated as work-in-progress in the Balance Sheet.

Interest payable and receivable is accounted for in the year to which it relates. An effective interest rate calculation is needed when the loan or investment includes variable rate options, which can be exercised over the life of the loan. In these cases the charge or credit to the revenue account represents the interest calculated using the effective interest rate, rather than the contractual arrangement and the carrying value of the loan or investment is adjusted in the Balance Sheet. Where an effective interest rate calculation has not been made an accrual is made for any interest accounted for but not received or paid at the year-end, which adjusts the carrying value of the principal of the loan(s) or investment(s) within the Balance Sheet.

The Council acts as an agent for the Government for the collection of National Non-Domestic Rates (NNDR) and for Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority in respect of Council tax collected on their behalf. At the year-end the amount of NNDR and Council tax due to, or owed by, these organisations but not yet received or paid is recognised in the Balance Sheet as a creditor or debtor as appropriate.

The de-minimis level for non-schools accruals is individual invoice items of £10k and above, for schools this is £1k.

For NNDR, this value represents the balance due to or from the Government in respect of the contribution to the NNDR Pool, adjusted for NNDR arrears at the year-end, net of the associated bad debts provision.

For Council Tax, this value represents the share of the Collection Fund balance due to or from Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority, adjusted for Council tax arrears at the year-end that are attributable to these precepting bodies, net of the associated bad debts provision.

Exceptional items are when items of income and expense are material but do not fit any of the definitions of other classifications. Their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

b) Acquired Operations (note 29)

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

c) Area Based Grant

Area Based Grant (ABG) is a general grant made up of former specific grants provided by the Government. The Council is free to use this grant to support its local priorities as it sees fit.

The Council's policy on grants is outlined in Section O of the Accounting Policies.

d) Back Pay Arising from Unequal Pay Claims

Following detailed investigation the reserve for unequal pay claims was closed in 2010/11.

e) Business Improvement District Schemes

Central Bedfordshire Council does not run a Business Improvement District Scheme.

f) Cash and Cash Equivalents (note 19)

The Council defines cash as:

- Cash held, in hand
- Cash held in instant access deposit accounts

Cash equivalents are defined as highly liquid deposits. The Council defines investment deposits maturing within one month of Balance Sheet date as cash equivalents.

Assets are defined as cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability at least 12 months after Balance Sheet date.

g) Contingent Assets (note 49)

Contingent assets are not included in either the Comprehensive Income and Expenditure Statement or Balance Sheet but are disclosed in note 49.

Contingent Assets are not accounted for within the Financial Statements, figures provided in the Notes to the Statements are estimates.

h) Contingent Liabilities (note 48)

Contingent liabilities are not included in either the Comprehensive Income and Expenditure Statement or Balance Sheet, but are disclosed in note 48.

Contingent Liabilities are not accounted for within the Financial Statements, figures provided in the Notes to the Statements are estimates.

i) Discontinued Operations (note 29)

When necessary, income and expenditure directly related to dis-continued operations are shown separately within the Comprehensive Income and Expenditure Statement under the heading of discontinued operations.

j) Employee Benefits

Pensions:

Most employees of the Council participate in one of two pension schemes to meet the needs of employees in particular services. Both schemes provide final salary defined benefits, in the form of lump sums and annual pensions, based on scheme membership earned during the time the employee worked for the Council.

1) Local Government Pension Scheme

All employees (other than teachers) and Councillors, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The scheme is known as the Bedfordshire Pension Fund and is administered by Bedford Borough Council in accordance with the Pensions Regulations 2008 on behalf of all participating employers within the Bedfordshire area.

The accounts have been prepared in accordance with IAS19 on Accounting for Retirement Benefits. This scheme is accounted for as a defined benefit scheme as follows:

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

Those liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on a high quality corporate bond each year-end as prescribed by IAS19.

- The assets of the Fund attributable to the Council are included at their fair value on the following basis;
  - Quoted securities – current bid price.
  - Unquoted securities – market value.
  - Unitised securities – current bid price.
  - Property professional estimate.
- The change in the net pensions liability is analysed into seven components;
  - **Current service cost.** The increase in liabilities as a result of years of service earned this year, which is charged to the revenue accounts of the services for which the employee worked.
  - **Past service cost.** The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years and which is charged to Net Cost of Services as part of Non-Distributed Costs.
  - **Interest cost.** The expected increase in the present value of liabilities during the year as they move one year closer to being paid and which is charged to Net Operating Expenditure.

- **Expected return on assets.** The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, which is credited to Net Operating Expenditure.
- **Gains and losses on settlements and curtailments.** The results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, which is charged to the Net Cost of Services as part of Non-Distributed Costs.
- **Actuarial gains and losses.** Changes in the net pension liability that arise because events have not coincided with the assumptions made at the last actuarial valuation or because the actuary has updated their assumptions. These changes are not charged to revenue.
- **Contributions paid to the Fund.** Cash paid as the employer's contribution to the Pension Fund.

Statutory provisions limit the Council to raising Council tax to cover the amounts payable by the Council to the Pension Fund. In the Statement of Movement in Reserves, the notional debits and credits for retirement benefits are removed and replaced with debits for the actual cash paid to the Pension Fund and any amounts payable to the Pension Fund that are unpaid at the year-end. Similar adjustments are made within the Statement of Movement on the Housing Revenue Account Balance in respect of Pension Fund transactions in relation to the provision of Council housing.

## 2) Teachers' Pension Scheme

The Teachers' Pension Agency (TPA) manages this scheme on behalf of the Department for Education (DfE). Although the scheme is unfunded, the government has set up a notional fund as the basis for calculating employers' contributions. The Council contributes at rates determined by the DfE.

This scheme is accounted for as a defined benefit scheme and the Children's Services area within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions to teachers' pensions in the year. There is no recognition made in the balance Sheet for the future payment of benefits.

## 3) Early Retirements

The Council has restricted powers to make discretionary awards of retirement benefits outside the standard terms of the scheme(s) in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff are accrued in the year the decision to make the award was made and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### Benefits payable during employment:

Benefits payable during employment are split in classification to short and long term.

Short term employee benefits are those falling due wholly within 12 months of the Balance Sheet date, in which the employees render the related service and include:

- Wages, salaries and social security contributions
- Short-term compensated absences
- Bonuses and similar payments
- Non-monetary benefits.

Other longer-term employee benefits are those not falling wholly within 12 months of the Balance Sheet date.

### Termination benefits:

Termination Benefits such as lump sum payments on termination of employment not associated with retirement are now required to be charged to Surplus or Deficit on the

Provision of Services immediately whether they vest immediately or not. They are not to be amortised over a straight-line basis over the period in which the increase in benefit vests, as was previously required.

k) Events After the Balance Sheet Date (note 6)

Events after the Balance Sheet date are defined as:

- An adjusting event occurs where an event takes place after the Balance Sheet date, which provides evidence that the condition(s) existed at the Balance Sheet date. In this case, the amounts recognised in the Statement of Accounts are adjusted.
- A non-adjusting event occurs where an event takes place after the Balance Sheet date, which indicates that the conditions giving rise to the event arose after the Balance Sheet date. In this case, the amounts recognised in the Statement of Accounts are not adjusted.

l) Exceptional Items and Prior Period Adjustments

Material adjustments applicable to prior years arising from changes to accounting policies or from the correction of fundamental errors are accounted for by re-stating the comparative figures for the preceding period.

With the implementation of IFRS considerable restatement of prior year figures and comparators have been made.

m) Financial Instruments

Financial Liabilities

1) Borrowing

Borrowing is classed as either a long-term liability, if it is repayable after 12 months or longer or a current liability if it is repayable within 12 months. Borrowing is shown at either current cost if the borrowing attracts a fixed rate of interest or at amortised cost using an effective interest rate if the borrowing has a stepped interest rate facility. In the case of fixed interest rate loans, usually from the Public Works Loans Board, the amount of interest accrued in the year is added to the loan principal to arrive at the carrying value of the loan at the Balance Sheet date. In the case of stepped interest rate loans such as Lender Option, Borrower Option Loans (LOBO), the value of the principal held within the Balance Sheet is adjusted to reflect the effective interest applicable to the loan over its life.

The interest charges to the Comprehensive Income and expenditure therefore vary depending on whether an effective interest calculation has been made or not. For fixed rate loans the interest charged to the Comprehensive Income and Expenditure Statement is the amount due under the loan agreement. If an effective interest calculation has been used then a constant interest charge is made to the Comprehensive Income and Expenditure Statement over the life of the loan with the difference between this and the annual interest due under the loan agreement being adjusted within the Movement in Reserves Statement.

2) Trade creditors

Trade creditors are recognised when a contractual arrangement is entered into between the Council and a supplier to provide goods and services for an agreed price. The value of trade creditors recognised in the Balance Sheet represents the current value of the outstanding liabilities of the Council at 31 March 2011 as a proxy for amortised cost.

Creditors for taxation, Council tax, NNDR and other creditors where no trading agreement exists are excluded from trade creditors.



### 3) Interest

Interest is earned annually by investing surplus money with financial institutions and this is credited to the Comprehensive Income and Expenditure Statement. This interest is however adjusted by further transactions with ring-fenced balances of the Council as follows:

- The Housing Revenue Account (HRA) receives interest from the General Fund on its cash balances during the year and
- Schools do not receive interest on unspent balances they hold.

These interest adjustments are shown within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

#### Financial Assets

The Council holds two types of financial assets – loans and receivables and available for sale assets.

#### 1) Loans and Receivables

Loans and receivables are financial assets that have fixed or determinable payments but are not quoted or traded in an active market. The Council holds investments with financial institutions, trade debtors and mortgages as loans and receivables within its Balance Sheet.

Investments are placed with banks, building societies and occasionally, the money market. They are classed as long-term assets if repayable after 12 months or longer or short-term assets if repayable within 12 months. Initial measurement is at fair value and they are carried in the Balance Sheet at amortised cost, meaning that the Balance Sheet value represents the outstanding principal due under the loan agreement adjusted for the accrual of interest outstanding at the year-end. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement. This interest is supplemented by interest charges payable by the HRA to the General Fund calculated under the Housing Subsidy item 8 determinations.

Where the value of an investment is deemed to be impaired i.e. it is worth less than its carrying value, then the loan is written down to its recoverable amount through the Comprehensive Income and Expenditure Statement in the year the impairment is recognised.

#### i) Trade Debtors

Trade debtors are recognised when a contractual arrangement is entered into between the Council and a customer to provide goods and services for an agreed price. The value of trade debtors recognised in the Balance Sheet represents the current value of the outstanding debt owed to the Council at 31 March 2011, as a proxy for amortised cost. Debtors for taxation, Council tax, NNDR and other debtors where no trading agreement exists are excluded from trade debtors.

#### ii) Soft Loans

Soft loans arise where the Council provides a loan facility at a discounted interest rate such as officers car loans, credit union etc. The loss of interest is charged to the Comprehensive Income and Expenditure Statement and is calculated by assessing the present value of the interest that will be foregone over the life of the loan. The carrying value of the loan within the Balance Sheet is less than the principal advanced under the loan agreement.

The soft loans currently held by the Council are however not material in value and the current accounting treatment does not follow the guidance as the amounts recorded in the Balance Sheet reflect the cash advances made under the loan agreement.

#### Gains and Losses on De-recognition

A financial asset becomes de-recognised when the contractual rights to the cash flows from the financial asset have expired or transferred. Any gains or losses that arise on de-

recognition are charged or credited to the Comprehensive Income and Expenditure Statement in the year de-recognition takes place.

## 2) Available for Sale Assets

Available-for-Sale assets are initially measured and carried at fair value using the following principles;

- Assets with quoted market prices – the bid or market value.
- Assets with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Interest received from investments in available-for-sale assets is recognised within the Comprehensive Income and Expenditure Statement on an amortised cost basis using the relevant effective interest rate for the particular asset. Other income received on available-for-sale assets, where there are no fixed or determinable payments e.g. dividends, is recognised in the Comprehensive Income and Expenditure Statement when it becomes due.

Changes in fair value are balanced by entries to the Available-for-Sale Reserve and any gains or losses recognised in the Movement in Reserves Statement, except where impairment losses have been incurred. In this case, the losses are charged to the Comprehensive Income and Expenditure Statement along with any net gain or loss for the asset accumulated within the Asset-for Sale Reserve.

Where an Available-for-Sale asset is sold or matures, any change between the sale proceeds and the fair value at the previous Balance Sheet date is charged or credited to the Comprehensive Income and Expenditure Statement in the year of the sale or maturity. At the same time, any amounts remaining in the Available-for-Sale Reserve in respect of the asset are transferred through the Movement in Reserves Statement to the General Fund.

## 3) Gains and Losses on Debt Restructuring

Gains and losses on debt re-structuring arise when external loans are repaid prematurely by the Council. Gains, or discounts, arise when the rate of interest on the loan repaid prematurely is lower than current interest rates for long-term borrowing. Conversely losses, or premiums, arise when the rate of interest on the loan repaid prematurely is higher than current interest rates for long-term borrowing.

For gains and losses on debt restructuring arising after 1 April 2007, the full value of the gain or loss is usually recognised within Net Cost of Service in the Comprehensive Income and Expenditure Statement in the year the re-structuring takes place.

However, where a loan with the same lender is modified i.e. where the net present value of the replacement loan varies by no more than 10% of the original loan and the exchange of loans takes place on the same day, then the effect of the resulting premium or discount can be charged to Net Cost of Services over the term of the replacement loan, rather than in the year the premium or discount arises.

Statutory guidance issued by the Department for Communities and Local Government (DCLG) allows for gains and losses arising from the early repayment of loans to be charged to the General Fund or the Housing Revenue account over a number of years, rather than be recognised in the year the repayment is made.

The Council's policy over the treatment of gains and losses is as follows;

- Gains giving rise to discounts are credited to the General Fund over the remaining life of the loan repaid at the time of repayment or 10 years, whichever is the shorter.
- Losses giving rise to premiums are charged to the General Fund over the remaining life of the loan at the time of repayment or the life of the new loan, whichever is the shorter.

The Comprehensive Income and Expenditure Statement reflects the requirements of the guidance. Differences between the gains and losses on debt re-structuring within the Comprehensive Income and Expenditure Statement and the amounts chargeable to the General Fund or the Housing Revenue Account under statute are adjusted through the Movement in Reserves Statement or the Statement of Movement on the Housing Revenue Account Balance as appropriate and transferred to the Financial Instruments Adjustment Account in the Balance Sheet.

n) Foreign Currency Translation

Any income or expenditure arising from transactions denominated in foreign currency are translated into Sterling (£) at the exchange rate in operation on the date on which the transaction occurred and recognised in the Comprehensive Income and Expenditure Statement at that value.

There is little direct impact upon the Council in terms of foreign currency transactions.

o) Government Grants and Other Contributions (notes 11 and 38)

Whether paid on account, in arrears or by instalments, Government grants and other contributions are accounted for on an accruals basis and recognised as income when the Council has met the conditions of entitlement to the grant or contribution and there is reasonable assurance that the grant or contribution will be received.

Revenue Grants and Contributions:

Revenue grants and contributions are matched in the Comprehensive Income and Expenditure Statement to the service expenditure to which they relate. Revenue grants received in advance of need are treated as creditors (receipt in advance) until such time as they can be justifiably recognised as income and credited to the Comprehensive Income and Expenditure Statement. Grants to cover general expenditure, such as the Revenue Support Grant, are credited to the Comprehensive Income and Expenditure Statement after Net Cost of Services.

Capital Grants and Contributions:

Capital Grants or Contributions and donated assets are to be accounted for through the Comprehensive Income and Expenditure Statement once any conditions have been met and the expenditure has been incurred. The grant or contribution is then transferred from the general fund to the Capital Adjustment Account (CAA), reflecting the application of capital resources to finance expenditure. The transfer is reported in the Movement in Reserves Statement.

Where a Capital Grant or Contributions are received and conditions remain outstanding at the balance sheet date, the grant or contribution is to be recognised in Capital Grants Receipts in Advance. Once conditions are met, the Grant or Contribution will be transferred from the Capital Grants Receipts in Advance and recognised in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution is received and there are no conditions but the expenditure has not been incurred at the balance sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied account, reflecting its status as a capital resource available to finance expenditure. When the expenditure to be financed from the Grant or Contribution is incurred, the Grant or Contribution shall be transferred from the Capital Grants Unapplied account to the Capital Adjustment Account.

p) Intangible Assets (note 14)

An intangible asset is a fixed asset that does not have physical substance but is identifiable and is controlled by the Council through custody or legal rights and provides benefit to the

Council for periods of more than one year. Expenditure on intangible assets is capitalised on an accruals basis.

These assets are carried in the Balance Sheet at cost and are amortised to the Comprehensive Income and Expenditure Statement on a straight-line basis over their economic lives, subject to a maximum of 10 years, depending on the type of asset.

Only intangible assets that have a discernable market value can be re-valued and as a consequence none of the Council's intangible assets are included within the current revaluation programme.

The definition of intangibles has been extended under IFRS to include internally generated intangible assets, for example a software database created by staff.

Disposals of intangible assets are recognised by charging the Comprehensive Income and Expenditure Statement with the carrying value of the asset at the time of the disposal and crediting the Comprehensive Income and Expenditure Statement with the sale proceeds. The resulting gain or loss on disposal is reversed through the Statement of Movement on the General Fund Balance, or the Statement of Movement on the Housing Revenue Account Balance in the case of housing related assets, to the Capital Adjustment Account for the carrying value of the asset and the Capital Receipts Reserve for the sale proceeds.

q) Inventories and Long-term Contracts (notes 16 and 17)

Inventories are valued in the Balance Sheet as:

- Inventories acquired through a non-exchange transaction, valued at their fair value as at the date of acquisition
- Inventories provided at no charge or for a nominal charge, valued at the lower of cost and current replacement cost
- All other inventories, value at the lower of cost and net realisable value.

The Council has no inventories:

- Acquired through a non-exchange transaction, which would be valued at their fair value as at the date of acquisition, or
- Held for distribution at no charge or for a nominal charge / consumption in the production process of goods to be distributed at no charge or for a nominal charge, which would be valued at the lower of cost and current replacement cost.

r) Investment Property (note 13)

An Investment Property is defined as a property that is solely owned/used to earn rental or for capital appreciation, or both. After initial recognition at cost, Investment Properties are held at fair value and are not depreciated.

After initial recognition, any gain or loss arising from a change in the fair value of investment property is recognised in the surplus or deficit on the provision of services, for the period in which it arises. The fair value of investment property shall reflect market conditions at the balance sheet date.

Investment Properties that a Council decides to sell are not reclassified as held for sale but remain investment property, until the sale.

s) Landfill Allowances Schemes

Landfill allowances, whether allocated from the Department for Environment, Food and Rural Affairs or purchased from another waste disposal Council are recognised as current assets and are initially measured at fair value.

The allowances are released as income on a systemic basis over the compliance year for which the allowances are allocated.

As landfill is used, a liability is recognised in the form of a provision for actual waste landfill usage. The liability is measured at the best estimate of the expenditure required to meet the obligation at the Balance Sheet date.

The Council has no Landfill Allowances Schemes.

t) Leases (note 41)

The Council separates leases of land and buildings into land and buildings elements, and classify and account for those elements separately.

The tests used to establish whether the lease is Finance or Operating are as listed below. The examples are of situations that individually or in combination would normally lead to a lease being classified as a Finance lease:

- The lease transfers ownership of the asset to the lessee by the end of the lease term
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value (FV), so as to make it reasonably certain the option will be exercised
- The lease term is for the major part of the economic life of the asset (specified by the Council as 70%)
- The present value of minimum lease payments amount to at least substantially all the FV of the leased assets (specified by the Council as 70%)
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications

Please note that due to its infinite life, land is classified as an operating lease, unless the title is expected to pass to the lessee at the end of the lease. The Council has no leases (as lessor or lessee) where ownership transfers at the end of the lease.

1) Finance Leases (the Council as lessee)

The Council accounts for leases as Finance leases when substantially all the risks and rewards relating to leased property transfer to the Council. Rentals payable are apportioned between;

- A charge for the interest in the property, which is recognised as a liability in the Balance Sheet at the start of the lease and is matched with a tangible fixed asset. The liability is written down as the rental becomes payable and
- A finance charge, which is debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement as the rent becomes payable.

Fixed assets recognised under Finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the estimated useful life of the asset.

2) Operating Leases (the Council as lessee)

Leases that do not meet the definition of a Finance lease are accounted for as Operating leases. Lease rentals are charged to the relevant service revenue account within the Comprehensive Income and Expenditure Statement on a straight-line basis over the terms of the lease, generally meaning that rentals are charged when they become payable.

3) Finance leases (the Council as lessor)

There are no material leases (individually or as a group), where the Council is lessor, that meet the requirements above to be classified as Finance leases.

#### 4) Operating leases (the Council as lessor)

The Council also acts in the capacity as lessor for the lease of land and property it owns. Rent due under these Operating leases is accounted for on a straight-line basis over the life of the lease. Land and property leased under Operating leases are held as fixed assets within the Balance Sheet and valued in accordance with the Council's valuation policies.

#### u) Assets Held for Sale (note 20)

An asset held for sale is measured at the lower of its carrying amount and its fair value less costs to sell.

The definition of an asset held for sale should meet the following criteria:

- The asset (or disposal group) must be available for sale for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups)
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan, must have been initiated
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value

Where the sale is expected to be completed within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn, will qualify the asset for current status and therefore recognition. Where the criteria is not met non-current status is recognised.

Depreciation on assets held for sale is not made.

Rights to Buys are classified as assets held for sale at year end, where there is certainty the sale will complete.

#### v) Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting code of Practice.

Where practical, support services have been allocated to capital schemes, where it can be shown that these support costs directly contribute to the delivery of these schemes.

The full cost of overheads and support services to be charged to the Comprehensive Income and Expenditure Statement is shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core: which represent costs relating to the Council's status as a multi-functional democratic organisation
- Non-distributed costs: which include the cost of discretionary benefits awarded to employees who are taking early retirement

#### w) PFI Schemes (note 42)

Councils are required to treat PFI contracts in a manner that is consistent with the requirements of International Financial Reporting Standard IFRIC12 – Service Contracts, which requires PFI-funded assets and liabilities to be recorded within the Balance Sheet.

However the existing PFI contract in place relates to the development of two newly created Foundation Schools and therefore does not relate to assets of the Council. The liability continues to be recorded in the Balance Sheet.

For any new PFI projects that may arise in the future;

- Land and property used in the PFI contract will be recognised as assets within its Balance Sheet.
- A related deferred liability will be recognised within the Balance Sheet at the same time.
- The initial recognition of the assets and the deferred liability will be at fair value, calculated as being the cost to purchase the property or carry out the work at the time they were made available for use.
- Once recognised these assets will be treated in the same way as other land and property assets and will be subject to depreciation, revaluation and impairment in accordance with the Council's current accounting policies.
- The unitary charge is split to recognise the service, interest and capital financing elements of the charge. The capital financing element will be deducted from the Comprehensive Income and Expenditure Statement and will reduce the deferred liability in the Balance Sheet.
- Any difference between the additional Minimum Revenue Provision and the capital financing element of the unitary charge will be adjusted through the Movement in Reserves Statement to the Capital Adjustment Account so that there is no impact on the level of Council tax to be raised by the Council.

x) Property, Plant and Equipment (note 12)

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

1) Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it will yield a benefit to the Council for more than one financial year. This will include costs and fees incurred on capital projects, which are under construction at the year-end, where it can be shown that either a new asset will be created or an existing asset enhanced. All other expenditure on assets is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

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

The Council sets a de-minimis level for capital spending / capital accounting purposes and spending below this limit is charged to service revenue accounts within the Comprehensive Income and Expenditure Statement, unless the spending forms part of a larger capital scheme (i.e. invoice less than £10k but is expenditure necessary to bring asset into use, would be capitalised). For 2010/11, the following de-minimis levels have been set for non-schools;

- Land and Property - £10,000
- Infrastructure - £10,000
- Community assets - £10,000
- Plant and Equipment - £10,000
- Vehicles - £ Nil

Schools operate a separate de-minimis of £2k for capitalisation of capital expenditure.

2) Measurement

Assets are initially measured at cost, which includes all expenditure directly attributable to bringing an asset into working condition for its intended use. On completion tangible assets are included within the Balance Sheet using the following measurement bases;

- Operational land and buildings – the lower of net current replacement cost or net realisable value in existing use.
- Infrastructure, community assets and vehicles, plant and equipment – depreciated historic cost.
- Council housing – existing use value for social housing.
- Surplus properties – (not held for sale) the lower of net current replacement cost or net realisable value in existing use.
- Assets under construction – historic cost until such time as the assets are commissioned.

Assets included in the Balance Sheet at net current replacement cost or market value are re-valued as a minimum every five years but where there is evidence that their value may have materially changed in the interim, more regular valuations are carried out.

Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains.

### 3) Impairment

An impairment review is carried out annually on the value of fixed assets carried within the Balance Sheet where there is evidence that this value may be excessive.

Impairment losses are reversed through the Movement in Reserves Statement or the Statement of Movement on the Housing Revenue Account Balance in the case of impairment losses on housing assets, and appropriated to the Capital Adjustment Account to ensure that there is no impact on Council tax or the balance on the Housing Revenue Account.

### 4) Gains and Losses on Asset Disposals

The Council has to account for gains and losses arising from the disposal of assets through its Comprehensive Income and Expenditure Statement. When an asset is decommissioned or sold, the carrying value of the asset held within the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Receipts from the sale are credited to the Comprehensive Income and Expenditure Statement and matched against the carrying value of the asset to arrive at the gain or loss from the sale of the asset.

The net gain or loss on all asset sales does not affect either the level of Council Tax that needs to be raised by the Council, or the balance on the Housing Revenue Account, as the cost of using fixed assets is fully provided for under separate arrangements for capital financing. The carrying value of assets that have been sold or decommissioned is therefore appropriated to the Capital Adjustment Account, whilst sale proceeds meeting the definition of capital receipts are credited to the Capital Receipts Reserve. This is achieved by adjusting either the Movement in Reserves Statement or the Statement of Movement on the Housing Revenue Account Balance, depending on the previous ownership of the asset.

When assets that are carried at current value are sold or decommissioned, any balance on the Revaluation Reserve in respect of the assets is written off to the Capital Adjustment Account.

### 5) Capital Receipts

Capital receipts are generated from the sale of assets that are surplus to requirements with a value of over £10,000, or relate to the sale of Council houses under the Right-to-Buy (RTB) Scheme. Capital receipts are split between General Fund capital receipts and Housing capital receipts. As each require different treatment within the accounts.

- General Fund receipts are recognised in full within the Capital Receipts Reserve when the full sale proceeds are received.
- Housing receipts from RTB sales of Council houses are subject to a pooling arrangement with The Departments of Communities and Local Government (CLG),



whereby 75% of all RTB capital receipts, net of allowable deductions for administering the RTB scheme, is pooled and paid over to the DCLG. The remaining 25% is recognised within the Capital Receipts Reserve.

Receipts from the sale of other housing assets are subject to a 50% deduction to be paid over to the DCLG, except where the capital receipts are to be used to finance new housing or regeneration projects. In these cases the 50% deduction does not apply and the full value of the receipt is recognised in the Capital Receipts Reserve.

Capital receipts are used either to pay for new capital spending or be set aside to repay debt by reducing the Council's capital financing requirement.

#### 6) Depreciation

Depreciation is charged on fixed assets that have a finite useful life, except for investment properties which are likely to appreciate in value over time. Depreciation is calculated on a straight-line basis over the useful life of the assets with charges commencing in the year following acquisition. Depreciation is recognised within service revenue accounts within the Comprehensive Income and Expenditure Statement.

The following useful lives have been used to calculate depreciation:

- Operational buildings up to 50 years
- Infrastructure up to 30 years
- Council houses 60 years
- Vehicles up to 10 years
- Plant and equipment up to 10 years
- Intangible assets amortised over up to 10 years
- Investment properties are not depreciated.

These asset lives apply to capital spending occurring after 1 April 2010 on new schemes.

Depreciation also has to be calculated on revaluation gains and is represented by the difference between depreciation calculated on current value and depreciation calculated on historic cost. The difference between the two values is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### 7) General Fund Assets

The Council is not required to raise Council tax to cover depreciation, revaluation/impairment losses or amortisations in relation to its General Fund assets. It is however, required to make an annual minimum revenue provision from revenue to reduce its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, impairment and amortisations are therefore replaced by a minimum revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

For 2010/11, the Minimum Revenue Provision (MRP) charged to the Movement in Reserves Statement is equal to the following at 1 April 2010.

- 4% of the 1 April 2009 Capital Financing Requirement less the 2009/10 MRP, plus
- The 2009/10 capital expenditure that has not been funded by grant, capital receipts or revenue contributions, has to be identified by asset or asset group with the same useful life and MRP calculated on straight line over the useful life.

#### 8) Housing Revenue Account Assets

Depreciation is a real charge to the Housing Revenue Account and forms part of the cost of providing Council housing.

The cost of Council dwelling depreciation is however limited to the level of the Major Repairs Allowance provided as part of housing subsidy regulations. This is achieved by transferring the difference between the Council dwelling depreciation charge for the year and the major repairs allowance from the Major Repairs Reserve to the Movement in Reserves Statement.

For HRA properties that are not Council dwellings, depreciation is a real charge to the HRA but does not have funding implications due to a transfer from the Capital Adjustment Account through the Movement in Reserves Statement.

Impairments and the amortisation of intangible assets owned by the Housing Revenue Account do not form a charge to the Housing Revenue Account Balance and are reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

y) Provisions (note 22)

Provisions are required for any obligations of uncertain timing or amount in circumstances where:

- The Council has a present, legal or constructive obligation as a result of a past event
- It is probable that a transfer of economic benefits will be required to settle the obligation
- A reliable estimate of the amount of the obligation can be made taking into account the risks and uncertainties surrounding the obligation

Where provisions meet the definition of current liabilities, these have classified over the relevant sections of current and non-current liabilities, the former defined as a provision to be used within 12 months of Balance Sheet date.

Provisions are charged to the appropriate revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimated settlements are reviewed at the end of each financial year to determine if the level of provision is adequate and changes to the level of the provision(s) are reflected within the relevant service revenue accounts. When payments in relation to the provision are made they are charged directly to the provision in the year that they are incurred.

z) Reserves (notes 23 and 24)

The Council's reserves policy is to have a minimum level of reserves at the equivalent of one week's payroll, supplies and services, and third party payments. This broadly equates to £5m. This has been set on the basis of the Council being relatively new, with modest financial history. Whilst two years' financial experience mitigates against this risk, the current environment of financial challenges and reducing Government funding are significant. Therefore, this minimum level has been retained.

This is a minimum level and balances do need to be higher to give greater financial resilience. Given the recent changes in funding for local government and the greater variability in net expenditure it is appropriate to assess the optimum level of reserves as a proportion of gross expenditure. It is assumed that 3% of such gross expenditure would give an optimum reserves level of £10m, to be achieved over the period of the Council's medium term financial plan.

The Revaluation Reserve and Capital Adjustment Account are reserves that are kept solely to manage the accounting arrangements for tangible and intangible fixed assets. The Pensions Reserve manages retirement benefits. These reserves are classified as unusable within the Movement in Reserves Statement.

Movements on all reserves are shown in detail in the Movement in Reserves Statement.

aa) Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of tangible fixed assets e.g. home improvement grants, has been charged to the relevant service area within the Comprehensive Income and Expenditure Statement in the year.

bb) Value Added Tax

Income and Expenditure excludes any amounts related to VAT, unless it is deemed to be irrecoverable, as all VAT collected is paid over to HM Revenues and Customs and all VAT paid is recoverable from them.

VAT rates in 2009/10 and 2010/11:

- 1<sup>st</sup> April 2009 to 31<sup>st</sup> December 2009- 15%
- 1<sup>st</sup> January 2010 to 31<sup>st</sup> December 2010- 17.5%
- 1<sup>st</sup> January 2011 to 31<sup>st</sup> March 2011- 20%

#### Note 2) Accounting Standards Issued but not Adopted

For 2010/11, all accounting standards issued have been adopted, with the exception of FRS30 Heritage Assets (previously Community Assets) due to non publication.

#### Note 3) Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has no deposit with Banks which are in administration.
- The Council is not the sole trustee of any Trusts or any other similar organisations / entities. Although the Council has a number of its Councillors on the Boards of external organisations, it has been determined that the Council does not have control of any of these organisations.
- The Council has a number of legal cases pending which are considered as appropriate within provisions and, where not yet registered as a case, contingent liabilities.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Professional valuer used to estimate values within the Balance sheet process	Effects minimal as professional valuer used, however if incorrect, effect is mis-statement of values on the Balance Sheet
Provisions on bad debt and arrears	Due to estimation, given inherent uncertainties in provisions	If incorrect effect is mis-statement of values on the Balance Sheet and potential revenue impact
Pensions Liability	High degree of variable factors e.g. mortality ratios and economic conditions. Professional/independent Actuary used to estimate values within the Balance sheet process for future liabilities (over considerable time period). All assumptions are reported in note 47	Effects minimal as professional/independent actuary used, however if incorrect, effect is mis-statement of values on the Balance Sheet
Others:		
• Accruals	• Actual amount differs from accrual estimate	If incorrect, effect is mis-statement of values on the Balance Sheet / HRA
• Trading a/c's overheads	• Actual amount differs from accrual estimate	
• HRA proportion of pensions	• Actual proportion differs from estimate	

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

#### Note 5) Material Items of Income and Expense

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

<u>Area</u>	<u>Narrative</u>	<u>2010/11</u> <u>£'000</u>
Disposals of Items of Property, Plant and Equipment:		
* Non-HRA property disposals	5 properties disposed in total	£1,206
* HRA property disposals	9 properties disposed in total	£837
Disposals of Investments:		
* NIRA investment	Written out in 2010/11	£1,406
* All other investments mature, not disposed off.	-	-
Reversals of Provisions:		
* Legal cases / Injury & Damage / Other Provisions	No reversed provisions (note 22)	-

#### Note 6) Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Assistant Director of Finance (Section 151 Officer) on 27<sup>th</sup> September 2011. Events taking place after this

date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

Note 7) Adjustments between Accounting Basis and Funding Basis under Regulations (subject to review)

This note details the adjustments that are made to the total Comprehensive Income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	<u>General Fund Balance</u> £'000	<u>HRA Balance</u> £'000	<u>Capital Receipt Reserve</u> £'000	<u>Capital Grants Unapplied</u> £'000	<u>Major Repairs Reserve</u> £'000	<u>Schools</u> £'000	<u>Movement unusable Reserve</u> £'000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>							
<u>Reversal of items debits/credits to the Comprehensive Income and Expenditure Statement:</u>							
* Charges for depreciation and impairment of non-current assets		(41,579)	-	-	-	-	
* Revaluation losses on Property Plant and Equipment		429	-	-	-	-	
* Movement in the market value of investment properties		-	-	-	-	-	
* Amortisation of intangible assets		-	-	-	-	-	
* Capital grants and contributions applied		-	-	-	-	-	
* Movement in Donated Assets Account		-	-	-	-	-	
* Revenue expenditure funded from capital under statute		-	-	-	-	-	
* Amounts of non-current assets written off on disposals or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-	-	-	-	-	
<u>Insertion of items not debits/credits to the Comprehensive Income and expenditure:</u>							
* Statutory provision for the financing of capital investment		-	-	-	-	-	
* Capital expenditure charged against the General Fund and HRA balances		835	-	-	-	-	
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure Statement		-	-	(65)	-	-	
* Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	(1,415)	-	-	
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>							
* Transfer of cash sales proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-	(2,083)	-	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	29,836	-	-	-	
* Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposal		-	0	-	-	-	-
* Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool		-	621	-	-	-	-
* Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	0	-	-	-	
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u>							
* Transfer of deferred sale proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-	-	-	-	-	
<u>Adjustment primarily involving the Major Repairs Reserve:</u>							
* Reversal of Major Repairs Allowance credit to the HRA	-	684	-	-	0	-	-
* Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	0	-	
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>							
* Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are difference from finance costs chargeable in the year in accordance with statutory requirements		-	-	-	-	-	

<u>Adjustments primarily involving the Pensions Reserve:</u>					
* Reversal of items relating to retirement benefit debits/credits to the Comprehensive Income and Expenditure Statement	2,596	-	-	-	-
* Employer's pensions contributions and direct payments to pensioners payable in year	1,234	-	-	-	-
<u>Adjustment primarily involving the Collection Fund Adjustment Account:</u>					
* Amount by which Council tax income credit to the Comprehensive Income and Expenditure Statement is different from Council tax income calculation for the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</u>					
* Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustment primarily involving the Accumulated Absences Account:</u>					
* Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is difference from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Other adjustments:</u>	14	0	0	0	(2,304)
<b>Total Adjustments:</b>	<b>(35,786)</b>	<b>28,374</b>	<b>(1,480)</b>	<b>0</b>	<b>(2,304)</b>

2009/10	<u>General Fund Balance</u> <u>£'000</u>	<u>HRA Balance</u> <u>£'000</u>	<u>Capital Receipt Reserve</u> <u>£'000</u>	<u>Capital Grants Unapplied</u> <u>£'000</u>	<u>Major Repairs Reserve</u> <u>£'000</u>	<u>Schools</u> <u>£'000</u>	<u>Movement unusable Reserve</u> <u>£'000</u>
<u>Adjustments primarily involving the Capital Adjustment Account:</u>							
<u>Reversal of items debits/credits to the Comprehensive Income and Expenditure Statement:</u>							
* Charges for depreciation and impairment of non-current assets		(14,849)	-	-	-	-	-
* Revaluation losses on Property Plant and Equipment		467	-	-	-	-	-
* Movement in the market value of investment properties		-	-	-	-	-	-
* Amortisation of intangible assets		-	-	-	-	-	-
* Capital grants and contributions applied		-	-	-	-	-	-
* Movement in Donated Assets Account		-	-	-	-	-	-
* Revenue expenditure funded from capital under statute		-	-	-	-	-	-
* Amounts of non-current assets written off on disposals or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-	-	-	-	-	-
<u>Insertion of items not debits/credits to the Comprehensive Income and expenditure:</u>							
* Statutory provision for the financing of capital investment		-	-	-	-	-	-
* Capital expenditure charged against the General Fund and HRA balances		343	-	-	-	-	-
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure		-	-	0	-	-	-



Statement					
* Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	0	-	-
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>					
* Transfer of cash sales proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,104	(1,351)	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,490	-	-	-
* Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposal	-	0	-	-	-
* Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool	-	828	-	-	-
* Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	0	-	-	-
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u>					
* Transfer of deferred sale proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-
<u>Adjustment primarily involving the Major Repairs Reserve:</u>					
* Reversal of Major Repairs Allowance credit to the HRA	55	-	-	0	-
* Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	0	-
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>					
* Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are difference from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustments primarily involving the Pensions Reserve:</u>					
* Reversal of items relating to retirement benefit debits/credits to the Comprehensive Income and Expenditure Statement	(2,106)	-	-	-	-
* Employer's pensions contributions and direct payments to pensioners payable in year	1,450	-	-	-	-
<u>Adjustment primarily involving the Collection Fund Adjustment Account:</u>					
* Amount by which Council tax income credit to the Comprehensive Income and Expenditure Statement is different from Council tax income calculation for the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</u>					
* Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Adjustment primarily involving the Accumulated Absences Account:</u>					
* Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is difference from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-
<u>Other adjustments:</u>	(58)	0	0	0	(32)
<b>Total Adjustments:</b>	<b>(14,698)</b>	<b>967</b>	<b>0</b>	<b>0</b>	<b>(32)</b>

## Note 8) Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	<u>Balance</u> <u>01/04/2009</u> <u>£'000</u>	<u>Transfers</u> <u>out</u> <u>2009/10</u> <u>£'000</u>	<u>Transfers</u> <u>in</u> <u>2009/10</u> <u>£'000</u>	<u>Balance</u> <u>31/03/2010</u> <u>£'000</u>	<u>Transfers</u> <u>out</u> <u>2010/11</u> <u>£'000</u>	<u>Transfers</u> <u>in</u> <u>2010/11</u> <u>£'000</u>	<u>Balance</u> <u>31/03/2011</u> <u>£'000</u>
<b>General Fund:</b>							
Insurance reserve	4,050	(2,780)	1,806	3,076	(16)	0	3,059
Redundancy / harmonisation reserve	0	0	163	163	(1,065)	3,019	2,117
School specific contingency	671	(99)	302	874	0	188	1,062
Learning Difficulties Campus closure	0	0	0	0	0	744	744
Deregistration of care homes	0	0	583	583	0	0	583
External funded regeneration reserve	0	0	492	492	0	0	492
Luton and South Beds Joint Growth Committee	0	0	0	0	0	460	460
Adaptation of open space	449	0	0	449	0	0	449
Social Care Reform Grant	115	(115)	200	200	0	215	415
Housing Planning Delivery Grant	739	(189)	200	750	(350)	0	400
Winter pressure	0	0	0	0	(215)	563	348
Supporting people	0	0	0	0	(92)	397	305
Re-ablement	0	0	0	0	(16)	238	222
Performance Reward Grant reserve	218	0	0	218	(482)	438	174
Local Development Framework	590	(390)	0	200	(100)	0	100
Development Specialist-Middle School	232	0	0	232	(232)	0	0
Grant Aid Fund	141	(125)	203	219	(219)	0	0
Dunstable Master Plan	1,791	0	0	1,791	(1,791)	0	0
Benefit subsidy equalisation	1,438	(1,438)	0	0	0	0	0
Department Environment, Food & Rural Affairs	273	(273)	0	0	0	0	0
Economic participation	0	0	413	413	(413)	0	0
Housing Benefits	325	(325)	0	0	0	0	0
Interest equalisation	1,287	(1,287)	0	0	0	0	0
Lease car reserve	344	(344)	0	0	0	0	0
Mid Bedfordshire PFI	7,567	(7,567)	0	0	0	0	0
Refuse recycling	211	(211)	0	0	0	0	0
Repairs and renewals	325	(325)	0	0	0	0	0
	<u>20,766</u>	<u>(15,468)</u>	<u>4,362</u>	<u>9,660</u>	<u>(4,991)</u>	<u>6,262</u>	<u>10,930</u>
Others below (£200k)	3,039	(3,988)	1,864	915	(348)	593	1,160
	<u>23,805</u>	<u>(19,456)</u>	<u>6,226</u>	<u>10,574</u>	<u>(5,339)</u>	<u>6,855</u>	<u>12,090</u>
<b>HRA:</b>							
Business process re-engineer	0	0	47	47	0	0	46
Choice based lettings	0	0	13	13	(14)	0	0
	<u>0</u>	<u>0</u>	<u>60</u>	<u>60</u>	<u>(14)</u>	<u>0</u>	<u>46</u>
<b>Grand Total</b>	<b>23,805</b>	<b>(19,456)</b>	<b>6,286</b>	<b>10,635</b>	<b>(5,353)</b>	<b>6,855</b>	<b>12,136</b>

### Note 9) Other Operating Expenditure

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Payments of precepts to Parishes	8,133	8,504
Levies payable	653	672
Payments to Housing Capital Receipts Government Pool	(828)	621
(Gain)/loss on Disposal of Fixed Assets- non-current tangible	29,614	33,065
(Gain)/loss on Disposal of Fixed Assets- intangibles	0	0
<b>Total</b>	<b>37,572</b>	<b>42,862</b>

### Note 10) Financing and Investment Income and Expenditure

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Interest payable on debt	7,028	5,718
Interest element of finance leases (lessee)	2	94
Interest payable on PFI unitary payments	1,318	1,623
Premium on early repayment of debt	0	0
Impairment of financial instruments	0	0
Pension interest costs	29,350	34,708
Expected return on pension assets	(16,235)	(23,446)
Interest and Investment Income	(2,084)	(1,393)
Interest received on finance leases (lessor)	0	0
Discount for early repayment of debt	0	0
Changes in fair value of investment properties	(7,907)	(5,861)
Gain/(loss) on disposals of investment properties	0	47
Dividends received	0	0
Gain/(loss) on trading accounts (n/a to a service)	0	0
Rentals received on investment properties	(2,189)	(1,714)
Expenses incurred on investment properties	1,066	381
<b>Total</b>	<b>10,350</b>	<b>10,157</b>

### Note 11) Taxation and Non-Specific Grant Income

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Council tax income	(129,901)	(134,646)
National Non-Domestic Rates (NNDR)	(40,146)	(44,284)
Revenue Support Grant (RSG) and non-ring fenced government grants	(9,266)	(18,087)
Recognised capital grants and contributions	0	0
Non-service related government grants	(11,601)	(24,440)
<b>Total</b>	<b>(190,914)</b>	<b>(221,457)</b>

Note 12) Property, Plant and Equipment  
Movements on balances

2010/11	<u>Council Dwellings</u>	<u>Other Land &amp; Buildings</u>	<u>Vehicles, Plant, Furniture &amp; Equipment</u>	<u>Finance Leases- Multi Functional Equipment</u>	<u>Finance Leases- fleet vehicles</u>	<u>Infra-structure</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets under Construction</u>	<u>Total Property, Plant and Equipment (PPE)</u>	<u>PFI assets included in PPE total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>											
At 1st April 2010	339,659	543,543	18,168	0	417	171,068	2,030	1,820	30,246	<b>1,106,952</b>	687
Additions	6,171	8,187	2,276	1,121	0	10,448	0	145	10,582	<b>38,930</b>	0
Donations	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Revaluation increase/(decrease) recognised in Revaluation Reserve	(3,145)	12,922	0	0	0	0	0	1	0	<b>9,778</b>	0
Revaluation increase/(decrease) recognised in surplus/deficit on Provision of services	(41,579)	(922)	0	0	0	0	0	25	0	<b>(42,476)</b>	0
De-recognition- disposals	(452)	(32,900)	(3,143)	0	0	0	0	0	(605)	<b>(37,100)</b>	0
De-recognition- other	0	0	0	0	0	0	0	0	0	<b>0</b>	(687)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Other movements in cost or valuation	(2,853)	(2,412)	306	0	0	5,479	(69)	7	(9,757)	<b>(9,299)</b>	0
<b>As at 31st March 2011</b>	<b>297,801</b>	<b>528,418</b>	<b>17,607</b>	<b>1,121</b>	<b>417</b>	<b>186,995</b>	<b>1,961</b>	<b>1,998</b>	<b>30,466</b>	<b>1,066,785</b>	<b>0</b>
<b>Accumulated depreciation and impairment:</b>											
At 1st April 2010	(66)	(13,886)	(9,223)	0	(340)	(24,798)	(3)	(19)	0	<b>(48,335)</b>	(687)
Depreciation charge in year	(3,024)	(11,371)	(2,164)	0	(40)	(6,101)	0	(27)	0	<b>(22,727)</b>	0
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) rec in surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	<b>0</b>	0
De-recognition- disposals	5	1,208	1,611	0	0	0	0	0	0	<b>2,824</b>	0
De-recognition- other	0	0	0	0	0	0	0	0	0	<b>0</b>	687
Other movements in depreciation and impairment	2,991	2,989	0	0	0	0	0	(3)	0	<b>5,977</b>	0
<b>As at 31st March 2011</b>	<b>(94)</b>	<b>(21,060)</b>	<b>(9,776)</b>	<b>0</b>	<b>(380)</b>	<b>(30,899)</b>	<b>(3)</b>	<b>(49)</b>	<b>0</b>	<b>(62,261)</b>	<b>0</b>
<b>Net book value:</b>											
at 31st March 2010	339,593	529,657	8,945	0	77	146,270	2,027	1,802	30,246	<b>1,058,617</b>	0
<b>at 31st March 2011</b>	<b>297,707</b>	<b>507,358</b>	<b>7,832</b>	<b>1,121</b>	<b>37</b>	<b>156,096</b>	<b>1,958</b>	<b>1,951</b>	<b>30,467</b>	<b>1,004,527</b>	<b>0</b>

2009/10	<u>Council Dwellings</u>	<u>Other Land &amp; Buildings</u>	<u>Vehicles, Plant, Furniture &amp; Equipment</u>	<u>Finance Leases- fleet vehicles</u>	<u>Infra-structure</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets under Construc- tion</u>	<u>Total Property, Plant and Equipment (PPE)</u>	<u>PFI assets included in PPE total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Cost or valuation:</u>										
At 1st April 2009	358,670	553,120	15,012	417	158,430	2,380	2,062	25,642	1,115,733	11,461
Additions	5,482	6,335	1,174	0	12,638	0	0	14,000	39,629	0
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increase/(decrease) recognised in Revaluation Reserve	(1,710)	15,856	0	0	0	0	91	0	14,237	0
Revaluation increase/(decrease) recognised in surplus/deficit on provision of services	(14,903)	(9,064)	0	0	0	0	0	0	(23,967)	0
De-recognition- disposals	(637)	(29,217)	(94)	0	0	0	0	(397)	(30,345)	(10,774)
De-recognition- other	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	(350)	(330)	0	(680)	0
Other movements in cost or valuation	(7,243)	6,513	2,076	0	0	0	(2)	(8,999)	(7,655)	0
<b>As at 31st March 2010</b>	<b>339,659</b>	<b>543,543</b>	<b>18,168</b>	<b>417</b>	<b>171,068</b>	<b>2,030</b>	<b>1,820</b>	<b>30,246</b>	<b>1,106,952</b>	<b>687</b>
<u>Accumulated depreciation and impairment:</u>										
At 1st April 2009	(3,781)	(3,392)	(6,986)	(291)	(19,119)	(3)	0	0	(33,572)	(458)
Depreciation charge in year	(3,595)	(10,988)	(2,237)	(49)	(5,679)	0	(19)	0	(22,565)	(229)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) rec in surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0	0
De-recognition- disposals	0	0	0	0	0	0	0	0	0	0
De-recognition- other	0	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	7,310	492	0	0	0	0	0	0	7,802	0
<b>As at 31st March 2010</b>	<b>(66)</b>	<b>(13,886)</b>	<b>(9,223)</b>	<b>(340)</b>	<b>(24,798)</b>	<b>(3)</b>	<b>(19)</b>	<b>0</b>	<b>(48,335)</b>	<b>(687)</b>
<u>Net book value:</u>										
at 31st March 2009	354,889	549,728	8,026	127	139,311	2,377	2,062	25,642	1,082,162	11,003
<b>at 31st March 2010</b>	<b>339,593</b>	<b>529,657</b>	<b>8,945</b>	<b>77</b>	<b>146,270</b>	<b>2,027</b>	<b>1,802</b>	<b>30,246</b>	<b>1,058,617</b>	<b>0</b>

#### Depreciation:

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

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

#### Capital Commitments:

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £17.979m. Similar commitments at 31 March 2010 were £4.75m. The major commitments are:

- NHS Campus Closure – £7.772m
- Development of Flitwick Town Centre- £3.251m
- Relocation of Roecroft Lower School- £3.171m
- Luton and Dunstable Busway- £3m
- Refurbishment of Tithe Farm Lower School – £0.785m

#### Effects of Changes in Estimates:

In 2010/11, the Council made one material change to its accounting estimates for Property, Plant and Equipment:

- To comply with the Communities and Local Government's Stock Valuation for Resource Accounting (Guidance for Valuers-2010) a regional adjustment factor of 39% has to be applied to the Existing Use for Social Housing (EUV-SH) valuation. The adjustment factor was previously 46% and reflects the fact that local authority housing is at sub-market rents. As a result, the net book value of the Council Dwellings has reduced from £335m on the 31<sup>st</sup> March 2010 to £294m on the 1<sup>st</sup> April 2010.

#### Revaluations:

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. In addition a revaluation loss and material change review was undertaken at the 31<sup>st</sup> March 2011. All valuations, except Council dwellings, were carried out internally. Council Dwelling valuations are provided by the external Chartered Surveyors Wilkes Head & Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- Good freehold title to the properties owner occupied, held as investments, or surplus to requirements.
- Good adequate leasehold or other short-term tenure for the properties held leasehold for operational purposes.
- Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings.
- Building structures, electrical heating and building service apparatus are in good repair and condition.

- No contaminative or potential contaminative uses have ever been carried out in any of the properties.
- For Depreciated Replacement Cost purposes that planning permission would be received without onerous or unusual conditions for alternative uses on the built area.
- That repairs and maintenance expenditure is at an acceptable level and there is no significant backlog.

	<u>Council Dwellings</u>	<u>Other Land &amp; Buildings</u>	<u>Vehicles, Plant, Furniture &amp; Equipment</u>	<u>Finance Leases- Multi Functional Devices Equipment</u>	<u>Finance Leases- fleet vehicles</u>	<u>Infra-structure</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets under Construction</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Carried at historical costs	0	0	7,832	1,121	37	156,096	1,958	0	0	167,044
Valued at fair value as at:										
* 31 <sup>st</sup> March 2010	296,970	113,417	0	0	0	0	0	1,951	30,467	442,805
* 31 <sup>st</sup> March 2011	737	393,941	0	0	0	0	0	0	0	394,678
<b>Total cost or valuation</b>	<b>297,707</b>	<b>507,358</b>	<b>7,832</b>	<b>1,121</b>	<b>37</b>	<b>156,096</b>	<b>1,958</b>	<b>1,951</b>	<b>30,467</b>	<b>1,004,527</b>

### Note 13) Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Rentals received on investment properties	(2,189)	(1,714)
Direct operating expenses arising from investment properties	1,066	381
<b>Net (gain)/loss</b>	<b>(1,123)</b>	<b>(1,333)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of the year	48,959	56,856
Additions:		
* Purchases	0	0
* Construction	0	0
* Subsequent expenditure	0	0
Disposals:	0	(159)
Net gain/(losses) from fair value adjustment transfer	7,949	5,861
* (To)/from inventories	0	0
* (To)/from property, plant and equipment	(67)	905
Other charges	15	0
<b>Balance at end of year</b>	<b>56,856</b>	<b>63,463</b>

## Note 14) Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1,658k charged to revenue in 2010/11 was charged to the IT administration cost centre and then absorbed as an overhead recharge across all the service headings in the Net Cost of Services.

	2009/10			2010/11		
	<u>Internally generated</u> £'000	<u>Other</u> £'000	<u>Total</u> £'000	<u>Internally generated</u> £'000	<u>Other</u> £'000	<u>Total</u> £'000
<u>Balance at start of the year</u>						
* Gross carrying amounts	0	7,987	7,987	0	9,730	9,730
* Accumulated amortisation	0	(3,366)	(3,366)	0	(4,808)	(4,808)
Net carrying amount at start of year	0	4,621	4,621	0	4,922	4,922
* Internal development	0	0	0	0	0	0
* Purchases	0	1,743	1,743	0	1,369	1,369
* From Assets under construction	0	0	0	0	1,111	1,111
* Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
<u>Other disposals</u>						
Revaluations increase/(decrease)	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the revaluation reserve	0	0	0	0	0	0
Impairment losses recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0
<u>Reversals of past impairment losses written back to the surplus/(deficit) on the provision of services:</u>						
Amortisation for the period	0	(1,442)	(1,442)	0	(1,658)	(1,658)
other charges	0	0	0	0	0	0
<b>Net carrying amount at the end of year</b>	<b>0</b>	<b>4,922</b>	<b>4,922</b>	<b>0</b>	<b>5,744</b>	<b>5,744</b>
<u>Comprising:</u>						
* Gross carrying amounts	0	9,730	9,730	0	12,210	12,210
* Accumulated amortisation	0	(4,808)	(4,808)	0	(6,466)	(6,466)
	<b>0</b>	<b>4,922</b>	<b>4,922</b>	<b>0</b>	<b>5,744</b>	<b>5,744</b>

There are no items of capitalised software that are individually material to the financial statements:

## Note 15) Financial Instruments

Categories of Financial Instruments:



The following categories of financial instrument are carried in the Balance Sheet:

	2009/10		2010/11	
	<u>Long term</u> £'000	<u>Current</u> £'000	<u>Long term</u> £'000	<u>Current</u> £'000
<b>Investments:</b>				
Loans and receivables	5,936	55,445	4,602	41,536
Available for sale financial assets	470	9	398	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total Investments</b>	<b>6,406</b>	<b>55,454</b>	<b>5,000</b>	<b>41,536</b>
<b>Debtors:</b>				
Loans and receivables	712	35,063	654	64,323
Cash and bank	0	16,595	0	5,057
Financial assets carried at contract amounts	0	0	0	0
<b>Total Debtors</b>	<b>712</b>	<b>51,658</b>	<b>654</b>	<b>69,381</b>
<b>Borrowings:</b>				
Financial liabilities at amortised cost	(154,183)	(5,006)	(153,621)	(646)
Financial liabilities at fair value through profit & loss	0	0	0	0
<b>Total Borrowing</b>	<b>(154,183)</b>	<b>(5,006)</b>	<b>(153,621)</b>	<b>(646)</b>
<b>Other long term liabilities:</b>				
PFI and finance lease liabilities	(19,716)	-	(19,157)	-
Liability related to defined benefit pension scheme	(326,355)	-	(197,282)	-
Investment funds	(11)	-	(34)	-
<b>Total other long term liabilities</b>	<b>(346,082)</b>	<b>-</b>	<b>(216,473)</b>	<b>-</b>
<b>Creditors:</b>				
Financial liabilities at amortised cost	0	-	0	-
Financial liabilities carried at contract amount	-	(66,603)	-	(57,632)
Finance Leases- fleet vehicles	(35)	(43)	(16)	(19)
Finance Leases- multi functional devices printers	0	0	(560)	(371)
<b>Total creditors</b>	<b>(35)</b>	<b>(66,646)</b>	<b>(576)</b>	<b>(58,022)</b>
<b>Grand total</b>	<b>(493,181)</b>	<b>35,460</b>	<b>(365,017)</b>	<b>52,249</b>

**Reclassifications:**

In 2010/11, the Council did not re-classify any of its investments.

Income, Expense, Gains and Losses:

2010/11	Financial liabilities at amortised cost	Financial Asset loans & received	Financial Assets available for sale	Assets/Liabilities at Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	5,718	0	0	0	5,718
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	0	0	0	0	0
Fee expense	0	0	0	0	0
<b>Total expense in surplus/deficit on the provision of services</b>	<b>5,718</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,718</b>
Interest income	0	1,035	306	0	1,341
Interest income accrued on impaired financial asset	0	0	0	0	0
Increases in fair value	0	0	0	0	0
Gains on de-recognition	0	0	0	0	0
Fee income	0	0	0	0	0
<b>Total income in surplus/deficit on the provision of services</b>	<b>0</b>	<b>1,035</b>	<b>306</b>	<b>0</b>	<b>1,341</b>
Gain on revaluation			56	0	56
Losses on revaluation			(3)	0	(3)
Amounts recycled to the surplus/deficit on the provision of services after impairment			0	0	0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and expenditure</b>			<b>53</b>	<b>0</b>	<b>53</b>
<b>Net gain/(loss) for the year</b>	<b>5,718</b>	<b>1,035</b>	<b>359</b>	<b>0</b>	<b>7,112</b>

2009/10	Financial liabilities at amortised cost	Financial Asset loans & received	Financial Assets available for sale	Assets/Liabilities at Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	7,000	0	0	0	7,000
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	0	0	(9)	0	(9)
Fee expense	0	0	0	0	0
<b>Total expense in surplus/deficit on the provision of services</b>	<b>7,000</b>	<b>0</b>	<b>(9)</b>	<b>0</b>	<b>6,991</b>
Interest income	0	1,755	246	0	2,001
Interest income accrued on impaired financial asset	0	0	0	0	0
Increases in fair value	0	0	0	0	0
Gains on de-recognition	0	0	133	0	133
Fee income	0	0	0	0	0
<b>Total income in surplus/deficit on the provision of services</b>	<b>0</b>	<b>1,755</b>	<b>379</b>	<b>0</b>	<b>2,134</b>
Gain on revaluation			0	0	0
Losses on revaluation			(50)	0	(50)
Amounts recycled to the surplus/deficit on the provision of services after impairment			0	0	0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and expenditure</b>			<b>(50)</b>	<b>0</b>	<b>(50)</b>
<b>Net gain/(loss) for the year</b>	<b>7,000</b>	<b>1,755</b>	<b>320</b>	<b>0</b>	<b>9,075</b>

## Fair Values of Assets and Liabilities:

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	<u>2009/10</u> <u>Carrying amount</u> <u>£'000</u>	<u>2009/10</u> <u>Fair Value</u> <u>£'000</u>	<u>2010/11</u> <u>Carrying amount</u> <u>£'000</u>	<u>2010/11</u> <u>Fair Value</u> <u>£'000</u>
Financial Liabilities	(160,463)	(163,423)	(155,540)	(161,563)
Long term creditors	(35)	(35)	(576)	(576)

	<u>2009/10</u> <u>Carrying amount</u> <u>£'000</u>	<u>2009/10</u> <u>Fair Value</u> <u>£'000</u>	<u>2010/11</u> <u>Carrying amount</u> <u>£'000</u>	<u>2010/11</u> <u>Fair Value</u> <u>£'000</u>
Loans and receivables	60,721	60,722	46,138	46,138
Long term debtors	712	712	654	654

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on market price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## Note 16) Inventories

	<u>Consumable stores</u>		<u>Other</u>		<u>Total</u>	
	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Balance outstanding at start of year	42	46	0	0	42	46
Purchases	46	48	0	0	46	48
Recognised as an expense in year	(42)	(46)	0	0	(42)	(46)
Written off balances	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>46</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>48</b>

## Note 17) Construction Contracts

At 31 March 2011 the Council had no construction contracts in progress. The Council is currently not undertaking any construction work as a contractor for its customers.

The Code on accounting requirements for construction contracts does not apply to assets under construction belonging to local authorities.

#### Note 18) Debtors

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	19,974	21,051
Other Local Authorities	10,470	11,894
NHS bodies	9,210	3,788
Public corporations and trading funds	4,831	2,871
Other entities and individuals *	12,362	26,988
Bad debt provisions	(412)	(2,270)
<b>Total</b>	<b>56,435</b>	<b>64,323</b>

Debtors are presented net of impairment.

\*: Includes balances such as rent arrears, Council tax and trade debtors.

#### Note 19) Cash and Cash Equivalents

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Cash held by the Council	0	0
Bank current accounts	16,595	5,057
Cash equivalents- liquid short term investment (within 1 month)	0	0
Short term deposits with building societies	0	0
<b>Total Cash and Cash Equivalents</b>	<b>16,595</b>	<b>5,057</b>

#### Note 20) Assets Held for Sale

	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
	<u>2009/10</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	0	0	660	0
Assets newly classified as held for sale:				
* Property, Plant & Equipment	660	0	525	0
* Intangible assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
* Property, Plant & Equipment	0	0	0	0
* Intangible assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	(330)	0
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>660</b>	<b>0</b>	<b>855</b>	<b>0</b>

Assets held for sale after balance sheet date (31/03/2011) but before certification date (30/09/2011) **will be disclosed in the final certified version of the accounts.**

## Note 21) Creditors

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	(6,980)	(5,436)
Other Local Authorities	(12,170)	(13,303)
NHS bodies	(517)	(903)
Public corporations and trading funds	(21,511)	(20,928)
Other entities and individuals	(27,814)	(17,062)
Finance leases- fleet vehicles	(43)	(19)
Finance leases- multi functional devices printers	0	(371)
<b>Total</b>	<b>(69,035)</b>	<b>(58,022)</b>

## Note 22) Provisions

	<u>Outstanding</u>	<u>Injury &amp;</u>	<u>Other</u>	<u>Total</u>
	<u>legal cases</u>	<u>damage</u>	<u>provisions</u>	
	<u>£'000</u>	<u>Compensation</u>	<u>£'000</u>	<u>£'000</u>
		<u>claims</u>		
		<u>£'000</u>		
Balance outstanding at start of year	(357)	(5,205)	(3,306)	(8,868)
Adjustment to reclassify balances	(40)	40	0	0
Balance outstanding at start of year	(397)	(5,165)	(3,306)	(8,868)
Additional provisions made in year	(128)	(650)	(51)	(829)
Amounts used in year	0	2,483	3,306	5,789
Unused amounts reversed in year	0	0	0	0
Unwinding of discounting in year	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>(525)</b>	<b>(3,332)</b>	<b>(51)</b>	<b>(3,908)</b>

All provisions with a balance as at 31/03/2011 are considered short term provisions.

### Outstanding Legal Cases:

The Council has a number of substantial legal cases in progress that have been provided for, including the following material ones:

- 2 ongoing legal cases (details withheld for confidentiality purposes)
- Contractual claims with regard to the Grove Theatre
- Disputed charges with regard to Leisure Centres

### Injury and Compensation Claims:

The Council has a number of substantial injury and compensation claims in progress that have been provided for, including the following material ones:

- Various personal injury claims have been lodged against the Authority for injury or damage compensation. They relate to personal injuries sustained where the Authority is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Authority will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. The Authority may be reimbursed by its insurers, but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £100k excess.
- Various cases have been lodged against the Authority for negligence in its responsibilities for providing social care. A provision has been made for possible settlement within the figures set above. However, in order not to prejudice seriously the privacy of individuals and the Authority's position in each case, any further information has been withheld from this publication.

Other Provisions:

All other provisions are individually insignificant.

### Note 23) Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and below.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
General Fund Reserve	(5,163)	(6,990)
General Fund Earmarked Reserves	(10,574)	(12,090)
Housing Revenue Account Balance	(4,223)	(3,742)
HRA Earmarked Reserves	(60)	(46)
Usable Capital Receipts Reserve	(30,942)	(2,568)
Community Infrastructure levy	0	0
Capital Grants Unapplied	0	(1,480)
Major repairs reserve	(200)	(200)
Capital Grants Received in Advance	0	0
Repairs and Renewals Fund	0	0
Insurance fund	0	0
Schools Reserve	(9,028)	(11,332)
	<b>(60,191)</b>	<b>(38,448)</b>

### Note 24) Unusable Reserves

Movements in the Council's unusable reserves are detailed in the Movement in Reserves Statement and below.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Revaluation Reserve (a)	(43,163)	(50,019)
Available for Sale Financial Instruments Reserve (b)	415	398
Capital Adjustment Account (c)	(870,759)	(827,495)
Financial Instruments Adjustment account (d)	2,505	2,065
Pension Reserve (e)	326,356	197,282
Deferred Capital Receipts (f)	(72)	(72)
Collection Fund Adjustment Account (g)	0	0
Single Status Reserve / unequal pay (h)	2,625	0
Accumulating Compensated Absences Account (i)	8,013	5,687
	<b>(574,080)</b>	<b>(672,154)</b>

#### a) Revaluation Reserve:

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	(31,968)	(43,163)
Upward revaluation of assets	(21,761)	(14,181)
Downward revaluation of assets & impairment losses not charged to the Surplus/deficit on the provision of services	7,589	4,402
Surplus/deficit on revaluation of non-current assets not posted to the Surplus/deficit on the provision of services	(14,172)	(9,779)
Difference between fair value depreciation and historical cost depreciation	571	1,222
Accumulated gains on assets sold or scrapped	2,406	1,701
Amount written off to the Capital Adjustment Account	2,978	2,923
<b>Balance at year-end</b>	<b>(43,163)</b>	<b>(50,019)</b>

b) Available for Sale Financial Instruments Reserve:

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

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	634	415
Upward revaluation of investments	9	65
Downward revaluation of investments not charged to the Surplus/deficit on the provision of services	(228)	(82)
	<b>415</b>	<b>398</b>
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and expenditure as part of other investment income	0	0
<b>Balance at year-end</b>	<b>415</b>	<b>398</b>

c) Capital Adjustment Account:

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, revaluation/impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at 1st April	(916,359)	(870,759)
Reversal of items relating to capital expenditure debits/credits to Comprehensive Income and Expenditure Statement:		
* Charges for depreciation and impairment of non-current assets	22,518	19,703
* Revaluation losses on Plant, Property & Equipment	24,080	42,476
* Amortisation of intangible assets	1,442	1,658
* Revenue expenditure funded from capital under statute	10,619	12,103
* Amounts of non-current assets written off on disposal/sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	30,345	34,765
	<hr/>	<hr/>
	89,005	110,705
Adjusting amounts written out of the Revaluation Reserve	(3,084)	(2,923)
Net written out amount of the cost of non-current assets consumed in the year	85,921	107,782
Capital financing applied in the year:		
* Use of Capital Receipts Reserve to finance new capital expenditure	(1,490)	(29,836)
* Use of the Major Repairs Reserve to finance new capital expenditure	(3,650)	(3,709)
* Capital grants and contribution's credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,728)	(21,004)
* Application of grants to capital financing of capital investment charged against the General Fund and HRA balances	0	690
* Statutory provision for the financial of capital investment charged against the General Fund and HRA balances	(5,216)	(6,320)
* Capital expenditure charged against the General Fund and HRA balances	(343)	1,522
	<hr/>	<hr/>
	(32,426)	(58,657)
Movement in the market value of Investment Properties debits/credits to the Comprehensive Income and Expenditure Statement	(7,895)	(5,861)
Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	0	0
<b>Balance at 31st March</b>	<b>(870,759)</b>	<b>(827,495)</b>

#### d) Financial Instruments Adjustment Account:

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	442	2,505
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	2,063	(440)
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0	0
	<hr/>	<hr/>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,063	(440)
<b>Balance at year-end</b>	<b>2,505</b>	<b>2,065</b>

#### e) Pensions Reserve:

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



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

	<u>2009/10</u> £'000	<u>2010/11</u> £'000
Balance at start of year	158,326	326,356
Actuarial gains or losses on pensions assets and liabilities	164,800	(73,200)
Reversal items relating to retirement ben debited/credited to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement	24,130	(37,769)
Employers pensions contributions and direct payments to pensions payable in year	(20,900)	(18,105)
<b>Balance at year-end</b>	<b>326,356</b>	<b>197,282</b>

f) Deferred Capital Receipts Reserve:

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	<u>2009/10</u> £'000	<u>2010/11</u> £'000
Balance at start of year	(72)	(72)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the capital receipts reserve upon receipt of cash	0	0
<b>Balance at year-end</b>	<b>(72)</b>	<b>(72)</b>

g) Collection Fund Adjustment Account:

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	<u>2009/10</u> £'000	<u>2010/11</u> £'000
Balance at start of year	(128)	0
Amounts by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	128	0
<b>Balance at year-end</b>	<b>0</b>	<b>0</b>

h) Unequal Pay Back Pay Account:

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. It has previously been known as the Single Status Reserve.

This reserve has now been closed, as the reserve is no longer required.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	2,624	2,625
Increase in provision for back pay in relation to equal pay cases	1	(2,625)
Cash settlements paid in the year	0	0
<b>Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements</b>	<b>1</b>	<b>0</b>
<b>Balance at year-end</b>	<b>2,625</b>	<b>0</b>

i) Accumulated Absences Account:

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	6,086	8,013
Settlement or cancellation of accrual made at the end of the preceding year	(6,086)	(8,013)
Amounts accrued at the end of the current year	8,013	5,687
<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements</b>	<b>1,927</b>	<b>2,326</b>
<b>Balance at year-end</b>	<b>8,013</b>	<b>5,687</b>

Note 25) Cash Flow Statement- Operating Activities

The cash flows for operating activities include the following items:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Net surplus/(deficit) on the provision of services	(67,073)	(5,470)
- Depreciation and impairment	29,934	24,385
- Revaluation decreases to I&E	0	0
- Deferred grants amortised in year	(3,453)	0
- Pension fund adjustment	2,165	55,873
- Other movements in the General Fund	41,592	(16,591)
- Repayment of loans	4,473	5,570
- Revenue contributions to capital	359	667
- Contributions to provisions	1,816	(4,960)
- Contributions to capital reserves	(8,657)	(16,399)
- Contributions to revenue reserves	(13,327)	7,159
	54,902	55,704
- Interest and investment income	4,199	4,765
- Interest on finance leases	0	0
- Revenue Funding Capital under Statute	(224)	(12,103)
- Gain/loss on disposal of assets	0	(32,421)
- (Increase)/decrease in stock	(4)	(2)
- (Increase)/decrease in debtors	12,669	(7,952)
- (Increase)/decrease in creditors	(19,268)	(8,702)
	(2,628)	(56,415)
<b>Net cash flows from operating activities</b>	<b>(14,798)</b>	<b>(6,181)</b>

Note 26) Cash Flow Statement- Investing Activities

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Purchase of property, plant and equipment, investment properties and intangible assets	(43,061)	(42,769)
Purchase of short term and long term investments	1,698	1,497
Other payments for investing activities	(8,201)	(5,456)
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	18,604	1,206
Capital grants	2,106	32,374
Proceeds from short term and long term investments	2,599	13,909
Other receipts from investing activities	12,939	0
<b>Net cash flows from investing activities</b>	<b>(13,316)</b>	<b>761</b>

Note 27) Cash Flow Statement- Financing Activities

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Cash receipts of short term and long term borrowing	0	0
Other receipts from financing activities	0	6
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	0	(559)
Repayments of short term and long term borrowing	4,993	(5,565)
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>4,993</b>	<b>(6,118)</b>

Note 28) Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- Expenditure on support services is budgeted for centrally and is charged to Directorates after the Council's year end outturn report is published.

The income and expenditure of all the Council's Directorates recorded in the budget reports for the year is as follows:

	Childrens' Services (includes schools)	Customer & shared services Office of the Chief Executive	Social Care, Health & Housing	Sustainable Communities	Total
	£'000	£'000	£'000	£'000	£'000
<b>2010/11</b>					
Directorate Net Budget	32,310	26,916	50,976	47,310	157,512
Corporate costs (including Contingency & Reserves)	-	-	-	-	19,516
<b>Total Net Budget</b>	-	-	-	-	<b>177,028</b>
Directorate Income and expenditure:					
* Fees, charges & other service income	(221,409)	(9,042)	(66,631)	(16,699)	(313,781)
Total income	(221,409)	(9,042)	(66,631)	(16,699)	(313,781)
* Employee expenses	167,920	12,398	18,726	21,364	220,408
* Other service expenses	86,457	26,046	98,474	40,817	251,794
Total expenditure	254,377	38,444	117,200	62,181	472,202
Net Directorate expenditure reported to management	32,968	29,402	50,569	45,482	158,421
Corporate costs (including Contingency & Reserves)	-	-	-	-	18,280
<b>Net expenditure reported to management</b>	-	-	-	-	<b>176,701</b>
<b>Variance reported to management</b>	-	-	-	-	<b>Surplus 327</b>
<b>2009/10</b>					
Net Budget	32,388	26,382	46,680	45,905	151,355
Corporate costs (including Contingency & Reserves)	-	-	-	-	19,286
<b>Total Net Budget</b>	-	-	-	-	<b>170,641</b>
Directorate Income and expenditure:					
* Fees, charges & other service income	(195,613)	(10,598)	(62,871)	(18,699)	(287,781)
Total income	(195,613)	(10,598)	(62,871)	(18,699)	(287,781)
* Employee expenses	164,556	27,186	17,553	22,814	232,109
* Other service expenses	64,719	10,668	95,992	41,989	213,368
Total expenditure	229,275	37,854	113,545	64,803	445,477
Net Directorate expenditure reported to management	33,662	27,256	50,674	46,104	157,696
Corporate costs (including Contingency & Reserves)	-	-	-	-	21,244
<b>Net expenditure reported to management</b>	-	-	-	-	<b>178,940</b>
<b>Variance reported to management</b>	-	-	-	-	<b>Deficit 8,299</b>

Reconciliation of Directorate income and expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Directorate analysis excluding recharges	149,164	148,515
Allocation of recharges (Directorate detail below)	29,776	28,186
Net expenditure in the Directorate analysis	178,940	176,701
Net expenditure of services and support services not included in the analysis	(16,851)	(69,654)
Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis (Directorate detail below)	47,976	66,861
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	<u>210,065</u>	<u>173,908</u>

Directorate analysis of items not included in report to management from above table:

	<u>Childrens' Services (includes schools)</u>	<u>Customer &amp; shared services Office of the Chief Executive</u>	<u>Social Care, Health &amp; Housing</u>	<u>Sustainable Communities</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b><u>2010/11</u></b>					
<u>Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis:</u>					
* Depreciation, amortisation & impairment	6,936	4,911	46,400	8,614	<b>66,861</b>
<u>Allocation of recharges:</u>					
* Support Service recharges	(4,157)	(1,397)	(1,343)	(1,544)	(8,442)
* Support Service recharges	15,113	5,670	7,036	8,809	36,628
	<u>10,956</u>	<u>4,273</u>	<u>5,693</u>	<u>7,265</u>	<b><u>28,186</u></b>
<b><u>2009/10</u></b>					
<u>Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis:</u>					
* Depreciation, amortisation & impairment	17,255	3,060	19,100	8,560	<b>47,976</b>
<u>Allocation of recharges:</u>					
* Support Service recharges	(3,404)	(487)	(2,458)	(1,453)	(7,801)
* Support Service recharges	15,188	2,423	12,848	7,118	37,577
	<u>11,784</u>	<u>1,936</u>	<u>10,390</u>	<u>5,665</u>	<b><u>29,776</u></b>

Reconciliation to subjective analysis:

Please see page 62.

2010/11 *: As per the Comprehensive Income & Expenditure Statement **: As per Outturn Report to management	Directorate analysis excluding recharges (A)	Allocation of recharges (B)	Directorate analysis (C)=(A)+(B)	Services and support services not in analysis (D)	Amounts not reported to management (E)	Amounts not included in Income & Exp (F)	Cost of services (G)=(C)+(D)+(E)+(F)	Corporate amounts (H)	Total (I)=(G)+(H)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fee, charges & other service income	(19,904)	(8,442)	(28,346)	(112,258)	-	-	(140,604)	-	(140,604)
Surplus / deficit on associates & joint ventures	-	-	-	-	-	-	0	-	0
Interest & Investment Income (note 10)	-	-	-	-	-	-	0	(1,393)	(1,393)
Income from council tax (note 38)	-	-	-	-	-	-	0	(134,646)	(134,646)
Government grants and contributions (note 38)	(285,435)	-	(285,435)	-	-	-	(285,435)	(86,811)	(372,246)
Expected return on pension assets (note 10)	-	-	-	-	-	-	0	(23,446)	(23,446)
Investment properties value, expenses and rents	-	-	-	-	-	-	0	(7,147)	(7,147)
<b>Total Income</b>	<b>(305,339)</b>	<b>(8,442)</b>	<b>(313,781)</b>	<b>(112,258)</b>	-	-	<b>(426,039) *</b>	<b>(253,443)</b>	<b>(679,482)</b>
Employee expenses	220,408	-	220,408	-	-	-	220,408	-	220,408
Other service expenses	233,446	-	233,446	42,604	-	-	276,050	-	276,050
Support service recharges	-	36,628	36,628	-	-	-	36,628	-	36,628
Depreciation, amortisation and impairment	-	-	-	-	66,861	-	66,861	-	66,861
Interest payments (note 10)	-	-	-	-	-	-	0	7,435	7,435
Pension interest costs (note 10)	-	-	-	-	-	-	0	34,708	34,708
Precepts and Levies (note 9)	-	-	-	-	-	-	0	9,176	9,176
Payment to Housing Capital Receipts Pool (note 9)	-	-	-	-	-	-	0	621	621
Gain or loss on disposal of fixed assets (note 9)	-	-	-	-	-	-	0	33,065	33,065
<b>Total Expenditure</b>	<b>453,854</b>	<b>36,628</b>	<b>490,482</b>	<b>42,604</b>	<b>66,861</b>	-	<b>599,947 *</b>	<b>85,005</b>	<b>684,952</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>148,515</b>	<b>28,186</b>	<b>176,701 **</b>	<b>(69,654)</b>	<b>66,861</b>	-	<b>173,908 *</b>	<b>(168,438) *</b>	<b>5,470 *</b>
<b>2009/10</b>									
Fee, charges & other service income	(457)	(7,801)	(8,258)	(129,470)	-	-	(137,728)	-	(137,728)
Surplus / deficit on associates & joint ventures	-	-	-	-	-	-	0	-	0
Interest & Investment Income (note 10)	-	-	-	-	-	-	0	(2,084)	(2,084)
Income from council tax (note 38)	-	-	-	-	-	-	0	(129,901)	(129,901)
Government grants and contributions (note 38)	(279,523)	-	(279,523)	-	-	-	(279,523)	(61,013)	(340,536)
Expected return on pension assets (note 10)	-	-	-	-	-	-	0	(16,235)	(16,235)
Investment properties value, expenses and rents	-	-	-	-	-	-	0	(9,030)	(9,030)
<b>Total Income</b>	<b>(279,980)</b>	<b>(7,801)</b>	<b>(287,781)</b>	<b>(129,470)</b>	-	-	<b>(417,251)</b>	<b>(218,263)</b>	<b>(635,514)</b>
Employee expenses	232,109	-	232,109	-	-	-	232,109	-	232,109
Other service expenses	197,035	-	197,035	112,619	-	-	309,654	-	309,654
Support service recharges	-	37,577	37,577	-	-	-	37,577	-	37,577
Depreciation, amortisation and impairment	-	-	-	-	47,976	-	47,976	-	47,976
Interest payments (note 10)	-	-	-	-	-	-	0	8,348	8,348
Pension interest costs (note 10)	-	-	-	-	-	-	0	29,350	29,350
Precepts and Levies (note 9)	-	-	-	-	-	-	0	8,786	8,786
Payment to Housing Capital Receipts Pool (note 9)	-	-	-	-	-	-	0	(828)	(828)
Gain or loss on disposal of fixed assets (note 9)	-	-	-	-	-	-	0	29,614	29,614
<b>Total Expenditure</b>	<b>429,144</b>	<b>37,577</b>	<b>466,721</b>	<b>112,619</b>	<b>47,976</b>	-	<b>627,316</b>	<b>75,270</b>	<b>702,586</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>149,164</b>	<b>29,776</b>	<b>178,940</b>	<b>(16,851)</b>	<b>47,976</b>	-	<b>210,065</b>	<b>(142,993)</b>	<b>67,072</b>

## Note 29) Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2010/11.

## Note 30) Trading Operations

The Council has established 16 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are as follows:

		<u>2009/10</u>		<u>2010/11</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Car Parks:</u>					
Parking management aims to support the local economy and facilitate development growth within Central Bedfordshire area.	Turnover	(947)		(1,270)	
Cumulative spend over 2 years: £2,210k	Expenditure (Surplus)/deficit	1,052	105	1,158	(112)
<u>Albion Archaeology:</u>					
Provides a range of archaeological and other historic environment services to developers to facilitate sustainable growth and economic development within Central Bedfordshire area.	Turnover	(1,268)		(1,508)	
Cumulative spend over 2 years: £2,762k	Expenditure (Surplus)/deficit	1,258	(10)	1,504	(3)
<u>Leighton Buzzard Theatre:</u>					
A theatre and cinema venue based in Leighton Buzzard.	Turnover	(204)		(168)	
Cumulative spend over 2 years: £677k	Expenditure (Surplus)/deficit	347	143	330	163
<u>Building Control:</u>					
The processing of building regulation applications, site inspections and related fee earning activities.	Turnover	(665)		(748)	
Cumulative spend over 2 years: £1,186k	Expenditure (Surplus)/deficit	542	(123)	644	(103)
<u>Industrial Units, Estates and Business Units:</u>					
Rental and other income, and expenditure relating to various industrial estates and business units.	Turnover	(622)		(507)	
Cumulative spend over 2 years: £443k	Expenditure (Surplus)/deficit	222	(400)	221	(287)
<u>Shops and Offices:</u>					
Rental and other income, and expenditure relating to various shops and offices.	Turnover	(605)		(635)	
Cumulative spend over 2 years: £179k	Expenditure (Surplus)/deficit	117	(488)	62	(574)
<u>Community Buildings:</u>					
Rental and other income, and expenditure relating to Beecroft Centre in Dunstable.	Turnover	(7)		(4)	
Cumulative spend over 2 years: £0k	Expenditure (Surplus)/deficit	0	(7)	0	(4)
<u>Community Leases/Licenses:</u>					
Rental and other income, and expenditure relating to various land and property.	Turnover	(11)		(16)	
Cumulative spend over 2 years: £74k	Expenditure (Surplus)/deficit	4	(7)	70	54
<u>Depots &amp; Storage Facilities:</u>					
Rental and other income, and expenditure relating to various depots and storage facilities.	Turnover	(65)		(66)	
Cumulative spend over 2 years: £81k	Expenditure (Surplus)/deficit	42	(23)	39	(26)

<b>Farm Estates:</b>			
Rental and other income, and expenditure relating to farm estates.	Turnover	(627)	(571)
Cumulative spend over 2 years: £184k	Expenditure (Surplus)/deficit	90	94
		(537)	(477)
<b>Criminal Records Bureau:</b>			
An administration service to Central Bedfordshire Council, Schools and other external organisations.	Turnover	(178)	(164)
Cumulative spend over 2 years: £303k	Expenditure (Surplus)/deficit	155	148
		(23)	(16)
<b>HEART supply Agency:</b>			
A supply agency of teachers and support staff to Schools.	Turnover	(205)	(159)
Cumulative spend over 2 years: £365k	Expenditure (Surplus)/deficit	191	174
		(14)	14
<b>Schools HR:</b>			
A provision of HR services for schools.	Turnover	(296)	(306)
Cumulative spend over 2 years: £913k	Expenditure (Surplus)/deficit	300	613
		4	307
<b>Schools Traded Services:</b>			
A service for schools providing expertise on a number of school issues i.e. financial advice, financial software support, LTA administration and subscription administration.	Turnover	(709)	(814)
Cumulative spend over 2 years: £1,382k	Expenditure (Surplus)/deficit	631	751
		(78)	(63)
<b>Silsoe Horticultural Centre:</b>			
A horticultural centre which includes various activities for customers to participate in, a tearoom, the sale of plant and vegetables, and also hosts events.	Turnover	(33)	(36)
Cumulative spend over 2 years: £482k	Expenditure (Surplus)/deficit	223	259
		190	223
<b>Ludun Sheltered Placement:</b>			
A supported workshop involved with wood machinery, wood treatment and picture framing.	Turnover	(69)	(220)
Cumulative spend over 2 years: £1,190k	Expenditure (Surplus)/deficit	516	674
		447	454
<b>Net surplus on trading operations</b>		<b>(821)</b>	<b>(451)</b>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. All are an integral part of one of the Council's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Cost of Services. There is no residual amount of the net surplus on trading operations charged as Financing and Investment Income and Expenditure (see Note 10):

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Net surplus on trading operations	(821)	(451)
Support services recharged to Expenditure of Continuing Operations	0	0
Services to the public included in the Expenditure of Continuing Operations	0	0
<b>Net surplus credited to Other Operating Expenditure</b>	<b>(821)</b>	<b>(451)</b>

### Note 31) Agency Services

The Council does not provide any goods or services to a third party, on behalf of another body.



### Note 32) Road Charging Schemes

The Council does not participate or operate in any road charging schemes.

### Note 33) Pooled Budgets

The Council has entered into a pooled budget arrangement with Bedford Borough Council (BBC) and NHS Bedfordshire (NHSB) for the provision of community Equipment services to meet the needs of people living in geographical area. The Council and partnership organisations have an agreement in place for funding these services that ran for 2 financial years from 2009/10 to 2010/11, with the partners contributing funds to the agreed budget equal to 20.4% (CBC), 13.6% (BBC) and 66% (NHSB) of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement (the Pooled Budget was hosted by Luton Borough Council in 2009/10).

<u>Bedfordshire Community Equipment Service:</u>	<u>2009/10</u>		<u>2010/11</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Funding provided to the pooled budget:				
Central Bedfordshire Council	(396)		(370)	
Bedford Borough Council	(264)		(247)	
NHS Bedfordshire	(1,282)		(1,199)	
		(1,942)		(1,816)
Expenditure met from the pooled budget:				
Luton Borough Council	1,942		0	
Central Bedfordshire Council	0		1,816	
Bedford Borough Council	0		0	
NHS Bedfordshire	0		0	
		1,942		1,816
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>		<b>0</b>		<b>0</b>
CBC share of 20.4% of the net surplus arising on the pooled budget		0		0

### Note 34) Members' Allowances

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Salaries	1,100	1,088
Allowances	15	3
NI	81	86
Pension	62	70
Expenses	151	121
<b>Total</b>	<b>1,409</b>	<b>1,368</b>

### Note 35) Officers' Remuneration

Senior Officers are defined by the Council as any officer at Director level or above, plus the Section 151 and Monitoring Officers.

During 2010/11, this classification included the;

- Chief Executive

- Four Directors
- Two Section 151 Officers (the original post holder resigned in February 2011 and his replacement acted as Section 151 Officer under an interim management contract for the remainder of the financial year)
- Monitoring Officer.

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

	<u>Salary, Fees &amp; Allowances</u>	<u>Expenses allowances</u>	<u>Pensions contributions</u>	<u>Total</u>
	£	£	£	£
Gary Alderson- Director of Sustainable Communities				
2009/10	123,000	2,369	26,937	152,306
2010/11	129,385	942	28,032	158,358
John Atkinson- Monitoring Officer (from July 2010)				
2009/10 (not John Atkinson)	57,803	2,399	14,727	74,929
2010/11	72,032	786	15,496	88,314
Matt Bowmer- S151 Officer (left in February 2011)				
2009/10	84,852	3,050	18,582	106,484
2010/11	81,741	2,283	17,608	101,633
Richard Carr- Chief Executive (started October 2009)				
2009/10	80,067	1,213	17,534	98,814
2010/11	186,750	1,505	40,515	228,770
Richard Ellis- Director of Customer & Shared Services				
2009/10	123,416	3,033	27,028	153,477
2010/11	131,739	649	28,579	160,967
Edwina Grant- Director of Children's Services (also acts as Deputy Chief Executive)				
2009/10	156,747	4,851	34,327	195,925
2010/11	157,987	1,833	34,328	194,148
Julie Ogley- Director of Social Care, Health & Housing				
2009/10	143,430	1,170	31,411	176,011
2010/11	144,669	0	31,411	176,080
Jaki Salisbury- Interim Chief Executive (left October 2009)				
2009/10	348,903	162	19,723	368,788
2010/11	0	0	0	0

Jaki Salisbury's figures include a redundancy payment.

There were no other payments in either year to Senior Officers in relation to bonuses or compensation for loss of office.

The Council's other employees (excluding those individuals listed above within senior employees) receiving more than £50k remuneration for the year (excluding employer's pension contributions) were paid in the following bands:

	<u>2009/10</u>	<u>2010/11</u>
	<u>Number of employees</u>	<u>Number of employees</u>
£50,000-£54,999	89	96
£55,000-£59,999	57	55
£60,000-£64,999	38	42
£65,000-£69,999	12	26
£70,000-£74,999	11	16
£75,000-£79,999	7	7
£80,000-£84,999	5	4
£85,000-£89,999	9	7
£90,000-£94,999	3	7
£95,000-£99,999	2	1
£100,000-£104,999	0	0
£105,000-£109,999	0	0
£110,000-£114,999	1	0
£115,000-£119,999	0	1
£120,000-£124,999	1	0
£125,000-£129,999	2	1
£130,000-£134,999	0	0
£135,000-£139,999	0	0
£140,000-£144,999	1	0
£145,000-£149,999	0	0
<b>Total</b>	<b>238</b>	<b>263</b>

This remuneration includes, in a number of cases, redundancy costs for employees who have now left the Council's employment.

#### Note 36) External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Fees payable to Audit Commission with regard to external audit services carried out by appointed auditor for the year (2010/11 audit fee is net of rebates, the actual audit fee was £342k with (£30k) rebates)	328	313
Fees payable to Audit Commission in respect of statutory inspections	18	0
Fees payable to Audit Commission for certification of grant claims and returns for the year	90	90
Fees payable in respect of other services provided by Audit Commission during the year	0	0
<b>Total</b>	<b>436</b>	<b>403</b>

#### Note 37) Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements were £11.332m at 31 March 2011, which is carried forward into 2011/12.

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), provided by the Department of Children, Schools and Families. DSG is ring-fenced and can only be applied to meet expenditure properly included within the schools budget. The schools budget includes elements for a restricted range of services provided on an authority-wide basis and for the individual schools budget,

which provides a budget share for each school. Over and under-spends on the two elements have to be accounted for separately.

Details of how DSG received in 2010/11 was used are as follows:

<u>Schools budgets funded from DSG:</u>	<u>Central Expenditure</u>	<u>Individual Schools Budgets</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Final DSG for 2010/11	-	-	146,441
Brought forward from 2009/10	-	-	1,091
Carry forward to 2011/12 agreed in advance	-	-	0
Agreed budgeted distribution in 2010/11	14,294	132,147	147,532
Actual central expenditure	14,149	-	-
Actual ISB deployed to Schools	-	132,317	-
Council contribution for 2010/11	0	0	0
<b>Carry forward to 2011/12</b>	<b>144,464</b>	<b>(170)</b>	<b>1,066</b>
Reserves:			
Brought forward from 2009/10			1,091
Spend in 2010/11			214
Balance			877
Increase from DSG under-spend			189
<b>Balance at year end</b>			<b>1,066</b>
Net increase/(decrease) on reserves			(25)

### Note 38) Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Credited to taxation and non specific grant income:		
* Council tax	(129,901)	(134,646)
* NNDR	(40,146)	(44,284)
* RSG and non-ring fenced govt grants	(9,266)	(18,087)
* Recognised capital grants and contributions	(11,601)	(24,440)
* Non-service related govt grants	0	0
<b>Total</b>	<b>(190,914)</b>	<b>(221,457)</b>
Credited to services:		
* Dedicated Schools Grant	(142,363)	(146,441)
* Housing Benefit Subsidy	(64,252)	(74,422)
* Standards Fund	(21,460)	(13,108)
* ISB Related YPLA	(16,081)	(16,425)
* Sure Start Early Years and Childcare	(5,098)	(6,867)
* School Standards Grant	(7,034)	(7,138)
* Adult & Community Learning	(1,750)	(1,834)
* Learning Disability Campus Closure	(515)	(1,563)
* School Standards Grant (Personalisation)	(1,443)	(1,254)
* Other Grants	(19,527)	(16,383)
<b>Total</b>	<b>(279,523)</b>	<b>(285,435)</b>

The Council has received a number of grants and contributions (but no donations) that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Capital Grants receipts in advance:		
* Devolved Formula Capital (Department for Education)	(4,089)	(3,326)
* Standards Fund (Department for Education)	(3,642)	(5,042)
* NHS Campus Closure (Department of Health)	(2,881)	(7,428)
* Other grants	(4,487)	(5,313)
* Section 106	(13,228)	(17,785)
* Section 278	(2,395)	(2,371)
* Other contributions	(13)	(8)
Donated	0	0
<b>Total</b>	<b>(30,735)</b>	<b>(41,273)</b>
Donated assets account:	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### Note 39) Related Parties

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

#### Central Government:

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 38.

#### Members:

Members of the Council (66 in total as at 31/03/2011) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11, are shown in Note 34. A number of the Council's Councillors are school governors and are appointed Town and Parish Council members. A full list of Councillor relationships with companies/organisations that have had financial transactions in 2010/11 with the Council, is provided on the next page:

<u>Cllr</u>	<u>Organisation</u>	<u>Relationship</u>	<u>2010/11 Income to the Council</u>	<u>2010/11 Expenditure by the Council</u>
P.Blaine	Aragon Housing Assoc.	Member	(£0)	£1,894k
P.Blaine	Sandy Skate Park	Chair	(£0)	£12k
D.Bowater	South Essex Partnership Trust	Governor	(£0)	£2,560k
F.Chapman	Marston Vale Trust	Chairman	(£0)	£71k
N.Costin	BRCC Services Ltd	Board Member	(£0)	£19k
A.Fahn	Vendesent	Owner	(£0)	Less than £500
J. Freeman	Beecroft Community Centre	Management Committee (no voting rights)	(£0)	Less than £500
P.Hollick	BGC Enterprises	Member	(£0)	£8k
D.Jones	Leisure Connection PLC	Son employed by company	(£0)	£23k
J.Lawrence	Christian Family Care	Member	(£0)	£541k
A.Lewis	Potton History Society	Member	Less than (£500)	Less than £500
R.Stay	Deloitte LLP	Commercial / paid	(£0)	£25k
R.Stay	Mitie plc	Commercial / paid	(£0)	£208k
G.Summerfield	Lloyds Worrall Ltd	Employer	(£0)	£2k
B.Wells	Aragon Housing Assoc.	Member	(£0)	£1,894k

#### Senior Officers:

Senior Officers are defined as per Note 35.

No related party transactions were listed on any of the senior officers' signed declarations forms.

#### Other Public Bodies:

The Council has a pooled budget arrangement with NHS Bedfordshire and Bedford Borough Council for the provision of Community Equipment Services. Transactions and balances outstanding are detailed in Note 33.

#### Pension Fund:

Central Bedfordshire Council is not an administering Council with regard to pension funds.

#### Entities Controlled or Significantly Influenced by the Council:

There are no groups controlled or significantly influenced by Central Bedfordshire Council.

#### Note 40) Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
<b>Opening capital financing requirement</b>	<b>192,416</b>	<b>194,831</b>
Capital investment:		
* Property, plant and equipment	39,629	38,873
* Investment properties	0	0
* Intangible assets	1,743	1,369
* Revenue funded from capital under statute	10,619	12,103
Sources of finance:		
* Capital receipts	(18,132)	(13,184)
* Government grant and other contributions	(25,514)	(24,722)
Sums set aside from revenue:		
* Direct revenue contributions	(702)	(1,502)
* Minimum Revenue Provision / loans fund principal	(4,473)	(6,321)
Other movements	(756)	(227)
<b>Closing Capital Financing Requirement</b>	<b>194,831</b>	<b>201,220</b>
Explanation of movement in year:		
* Increase in underlying need to borrow (supported)	0	0
* Increase in underlying need to borrow (unsupported)	2,415	5,268
* Assets acquired under finance leases	0	1,121
* Assets acquired under PFI contracts	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>2,415</b>	<b>6,389</b>

The Council received approval to capitalise £0.4m of redundancy costs incurred in the 2010/11 financial year. The application was in response to the following exception circumstances:

- The speed at which the Council had to be formed, after the announcement of the Government's unitary decision, that meant unsustainable management structures had to be redressed for the longer term
- The review and ultimate disbanding of inherited unprofitable joint working arrangements from legacy authorities and
- Government's implementation of Area Based Grant cuts in early summer of 2010.

#### Note 41) Leases

##### **Council as Lessee:**

##### Finance Leases:

The Council has acquired a number of fleet vehicles and multi functional devices (printers) under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment:		
* Fleet vehicles	77	37
* Multi-functional devices	0	1,121
<b>Total</b>	<b>77</b>	<b>1,158</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
<u>Finance leases liabilities (net present value of minimum lease payments)</u>		
Current	(43)	(225)
Non-current	(35)	(741)
Finance costs payable in future years	0	(199)
<b>Minimum lease payments</b>	<b>(77)</b>	<b>(1,165)</b>

The minimum lease payments will be payable over the following periods:

	<u>Minimum</u> <u>Lease</u> <u>Payments</u>	<u>Finance</u> <u>lease</u> <u>Liabilities</u>	<u>Minimum</u> <u>Lease</u> <u>Payments</u>	<u>Finance</u> <u>lease</u> <u>Liabilities</u>
	<u>2009/10</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Not later than one year	(43)	(43)	(302)	(225)
Later than one year and not later than five years	(35)	(35)	(864)	(741)
Later than five years	0	0	0	0
<b>Total</b>	<b>(77)</b>	<b>(77)</b>	<b>(1,165)</b>	<b>(966)</b>

Operating Leases:

The Council has use of a number of buildings by entering into operating leases, with various lease lengths from 1 to 99 years.

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Not later than one year	438	366
Later than one year and not later than five years	1,046	1,133
Later than five years	1,122	998
<b>Total</b>	<b>2,606</b>	<b>2,497</b>

The expenditure charged to various services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Minimum lease payments	2,606	2,497
Contingent rents	0	0
Sub-lease payments receivable	0	0
<b>Total</b>	<b>2,606</b>	<b>2,497</b>



## Council as Lessor:

### Finance Leases:

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

### Operating Leases:

The Council leases out property under operating leases for the following purposes:

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

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

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Not later than one year	1,360	1,335
Later than one year and not later than five years	1,874	1,798
Later than five years	2,358	1,952
<b>Total</b>	<b>5,592</b>	<b>5,085</b>

## Note 42) PFI and Similar Contracts

In December 2003, Bedfordshire County Council entered into a contract with Bedfordshire Education Partnership Ltd for the provision of new buildings, the refurbishment of existing building and associated facilities management at 2 schools. The annual unitary charge paid by the council to Bedford Education Partnership Ltd was £3.96mn in 2010/11 and is subject to increases linked to the RPIX until the contract expires on 31 December 2035. Estimated index-ated payments due to be made under the PFI arrangements are as follows:

	<u>Payment for</u>	<u>Reimburse-</u>	<u>Interest</u>	<u>Total</u>
	<u>service</u>	<u>ment of</u>		
	<u>£'000</u>	<u>capital</u>	<u>£'000</u>	<u>£'000</u>
		<u>expenditure</u>		
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Payable in 2011/12	1,955	456	1,561	3,972
Payable within 2 to 5 years	8,066	2,289	6,307	16,662
Payable within 6 to 10 years	11,515	3,206	8,021	22,741
Payable within 11 to 15 years	14,184	2,604	8,383	25,172
Payable within 16 to 20 years	15,340	3,752	8,884	27,976
Payable within 20 to 25 years	15,590	5,699	9,920	31,210
Payable within 25 to 30 years	1,947	1,152	3,425	6,524
<b>Total</b>	<b>68,597</b>	<b>19,158</b>	<b>46,501</b>	<b>134,257</b>

### Payments:

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the

capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	20,459	19,716
Payments during the year	(743)	(558)
Capital expenditure incurred in the year	0	0
Other movements	0	0
<b>Balance outstanding at year end</b>	<b>19,716</b>	<b>19,158</b>

#### Note 43) Impairment Losses

During 2010/11, the Council has no recognised impairment losses.

#### Note 44) Capitalisation of Borrowing Costs

The Council has not capitalised borrowing costs during the 2010/11 financial year.

#### Note 45) Termination Benefits

The Council terminated the contract of one employee in 2010/11 incurring costs of £12k due to a period of "gardening" leave (one termination in 2009/10).

#### Note 46) Pension Schemes Accounted for as Defined Contribution Schemes

The Council does not participate in any defined contribution schemes.

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Council paid £8.9m to Teachers' Pensions in respect of teachers' retirement benefits (£8.9m 2009/10), representing 14.2% of pensionable pay (14.2% 2009/10). There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

## Note 47) Defined Benefit Pension Schemes

### Participation in Pension Schemes:

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in one post employment scheme: The Local Government Pension Scheme (LGPS), administered locally by Bedfordshire Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. There are no other schemes other than LGPS.

### Transactions Relating to Post-employment Benefits:

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

	<u>2009/10</u>	<u>LGPS</u> <u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
<u>Cost of services:</u>		
* Current service costs	7,851	14,698
* Past service costs	0	(62,767)
* Settlements and curtailments	839	324
<u>Financing and Investment Income and expenditure:</u>		
* Interest cost	29,356	34,708
* Expected return on any re-imbursement right recognised as an asset	0	0
* Expected return on scheme assets	(16,241)	(23,446)
Total post-employment benefits charged to the Surplus/deficit on the provision of services	21,805	(36,483)
<u>Other Post-employment benefits charged to Comprehensive Income and Expenditure Statement:</u>		
* Actuarial gains / (loss)	(164,810)	73,200
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	(164,810)	73,200
<u>Movement in Reserves Statement:</u>		
* Reversal of net charge to Surplus/deficit for the provision of services for post employment benefits in accordance with code	(75,800)	129,073
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>		
* Employers contributions payable to scheme	20,869	18,105
* Retirement benefits payable to pensioners	-	-

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £91,610k (£164,810k) to 31 March 2010).

## Assets and Liabilities in Relation to Post-employment Benefits:

### Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	<u>2009/10</u>	<u>Funded liabilities- LGPS</u>
	<u>£'000</u>	<u>2010/11</u>
		<u>£'000</u>
Opening balance at 1st April	429,040	678,476
Current service costs	7,851	14,696
Interest cost	29,356	34,708
Contributions by scheme participants	5,050	5,113
Actuarial gains and losses	224,321	(119,401)
Benefits paid	(17,981)	(17,646)
Past service costs	0	(62,767)
Entity combinations	0	0
Curtailments	839	324
Settlements	0	0
<b>Closing balance at 31st March</b>	<b>678,476</b>	<b>533,503</b>

### Reconciliation of fair value of the scheme assets:

	<u>2009/10</u>	<u>LGPS</u>
	<u>£'000</u>	<u>2010/11</u>
		<u>£'000</u>
Opening balance at 1st April	267,058	352,121
Expected rate of return	16,241	23,446
Actuarial gains and losses	59,511	(46,201)
Employer contributions	20,869	18,105
Contributions by scheme participants	5,050	5,113
Benefits paid	(16,608)	(16,361)
Curtailments	0	0
Settlements	0	0
<b>Closing balance at 31st March</b>	<b>352,121</b>	<b>336,223</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual income from / return on scheme assets in the year was £26,932k (2009/10: £75,752k).

### Scheme History:

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Present value of liabilities:</u>					
* LGPS	0	0	0	(678,476)	(533,505)
Fair Value of assets in the LGPS:	0	0	0	352,121	336,223
<u>Surplus/(deficit) in the scheme:</u>					
* LGPS	0	0	0	(326,355)	(197,282)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>352,121</b>	<b>336,223</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of (£533,505k) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of (£197,282k). However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the LGPS will be made good by increased

contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £17,163k.

**Basis for Estimating Assets and Liabilities:**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Borough Council Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	<u>2009/10</u>	<u>LGPS 2010/11</u>
<u>Long term expected rate of return on assets in the scheme:</u>		
* Equity investments	7.8%	7.5%
* Bonds	5.0%	4.9%
* Property	5.8%	5.5%
* Cash	4.8%	4.6%
* Other	0.0%	0.0%
<u>Mortality assumptions:</u>		
Longevity at 65 for current pensioners:		
* Men	20.8	21.6
* Women	24.1	23.2
Longevity at 65 for future pensioners:		
* Men	22.3	23.6
* Women	25.7	25.6
Rate of Inflation	3.8%	2.8%
Rate of increase in salaries	5.3%	5.1%
Rate of increase in pensions	6.6%	6.3%
Rate of discounting scheme liabilities	5.5%	5.5%
Take up of option to convert annual pension into retirements lump sum	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	<u>2009/10</u>	<u>2010/11</u>
	%	%
* Equity investments	58.0	54.0
* Bonds	22.0	23.0
* Property	6.0	9.0
* Cash	14.0	14.0
* Other	0.0	0
	<b>100%</b>	<b>100%</b>

**History of Experience Gains and Losses:**

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	%	%	%	%	%
Difference between the expected and actual return on assets	0	0	0	(16.90)	(1.04)
Experience gains and losses on liabilities	0	0	0	0.16	(10.09)

#### Note 48) Contingent Liabilities

At 31 March 2011, the Council is aware of 2 events that could lead to future legal claims:

- 1 personal injury, and
- 1 asbestos related incident

As no official claims have been logged with the courts, these cases are treated as known incidents but without legal / insurance action pending, as such no provision is made under note 22 currently. However, as future legal action cannot be ruled out, they are classified as contingent liabilities.

Owing to errors on the Council's 2010/11 P11D return, there is a possibility that HMRC may opt to issue a fine, however no formal decision has yet been made.

Municipal Mutual Insurance (MMI)- This relates to a potential claw-back of funds by the MMI to cover claims they have previously paid relating to diseases such as asbestos exposure. This liability is subject to legal review in summer 2012 and due to this uncertainty may not materialise.

Emerging Claims Buffer- This relates to new claims types that may transpire such as stress, abuse etc. The estimated figure is recognised as a Contingent Liability.

#### Note 49) Contingent Assets

At 31 March 2011, the Council is not aware of any contingent assets.

#### Note 50) Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme includes focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance Department's treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk:

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, which will be the highest short term and long term rating (equivalent to A+ or higher) assigned by Moody's Investors Services, Standards & Poor's, Fitch rating and either have access to the UK Government's Credit Guarantee Scheme or are systemically important to the sovereign state's economy. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

New specified investments will be made within the following limits:

<b>Instrument</b>	<b>Country</b>	<b>Counterparty</b>	<b>Maximum Investments %/£m</b>	<b>Limit of</b>
In-house Term Deposits	UK	DMADF, DMO	No limit	
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit	
Term Deposits/Call Accounts	UK	Abbey	25	
Term Deposits/Call Accounts	UK	Bank of Scotland/Lloyds	25	
Term Deposits/Call Accounts	UK	Barclays	25	
Term Deposits/Call Accounts	UK	Clydesdale	25	
Term Deposits/Call Accounts	UK	HSBC	25	
Term Deposits/Call Accounts	UK	Nationwide	25	
Term Deposits/Call Accounts	UK	Royal Bank of Scotland/Natwest	30	
Term Deposits/Call Accounts	Australia	Australia and NZ Banking Group	5	
Term Deposits/Call Accounts	Australia	Commonwealth Bank of Australia	5	
Term Deposits/Call Accounts	Australia	National Australia Bank Ltd	5	
Term Deposits/Call Accounts	Australia	Westpac Banking Corp	5	
Term Deposits/Call Accounts	Canada	Bank of Montreal	5	
Term Deposits/Call Accounts	Canada	Bank of Nova Scotia	5	
Term Deposits/Call Accounts	Canada	Canadian Imperial Bank of Commerce	5	
Term Deposits/Call Accounts	Canada	Royal Bank of Canada	5	
Term Deposits/Call Accounts	Canada	Toronto-Dominion Bank	5	
Term Deposits/Call Accounts	Finland	Nordea Bank Finland	5	
Term Deposits/Call Accounts	France	BNP Paribas	5	
Term Deposits/Call Accounts	France	Calyon (Credit Agricole Group)	5	
Term Deposits/Call Accounts	France	Credit Agricole SA	5	
Term Deposits/Call Accounts	Germany	Deutsche Bank AG	5	
Term Deposits/Call Accounts	Netherlands	Rabobank	5	

Term Deposits/Call Accounts	Spain	Banco Bilbao Vizcaya Argentaria	5
Term Deposits/Call Accounts	Spain	Banco Santander SA	5
Term Deposits/Call Accounts	Switzerland	Credit Suisse	5
Term Deposits/Call Accounts	US	JP Morgan	5
Gilts	UK	DMO	No limit
Bonds	EU	For example, European Investment Bank/ Council of Europe	
AAA rated Money Market Funds	UK/Ireland/ Luxembourg	CNAV MMFs	40%
Other MMFs and CIS	UK	Collective Investment Schemes	
<b>Instrument External</b>		<b>Counterparty</b>	<b>Maximum Limit of Investments %/£m</b>
Deposits, Certificates of Deposits,	Fund Managers	Min AA-long term category and F1+ short term rating or equivalent	15% per counterparty
	Lime Fund	N/A	£10m

Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity. Advice given is that non-UK banks should be restricted to a maximum exposure of 40%.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last two financial years, adjusted to reflect current market conditions:

31/03/2011	Amount at 31 March £'000	Historical experience of default % £'000	Historical experience adjusted for market conditions at 31st March % £'000	Estimate max exposure to default and uncollectability at 31st March £'000	Estimate max exposure as 31st March £'000
	A	B	C	(A*C)	
Bonds	41,471	0.0%	0.00%	0	0
Customers	12,463	0.6%	0.75%	93	93
<b>Total</b>	<b>53,934</b>	-	-	<b>93</b>	<b>93</b>



No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that all the £12.5m Customers balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000
Less than 3 months	13,185	10,154
Three to six months	1,541	645
Six months to one year	3,083	971
More than a year	3,522	693
<b>Total</b>	<b>21,331</b>	<b>12,463</b>

#### Liquidity Risk:

The Council has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 20% of loans are due to mature within any one year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000
Less than one year	5,006	646
Between one and two years	651	28,968
Between two and five years	28,973	16,058
Between five and ten years	16,060	12,732
Between ten and 25 years	34,653	97,833
More than 25 years	73,846	0
<b>Total</b>	<b>159,189</b>	<b>156,237</b>

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or

Other Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 35% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<u>2010/11</u> <u>£'000</u>
Increase in interest payable on variable rate borrowing	356
Increase in interest receivable on variable rate investments	(180)
Increase in government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	(17,356)
Impact on Other Comprehensive Income and expenditure	(17,356)
Decrease in fair value of fixed rate borrowing liabilities (no impact on the surplus/deficit on the provision of services or other Comprehensive Income and expenditure)	(17,180)

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

#### Price Risk

The Council does not invest in equity shares but does hold units to the value of £5m in a property fund with Aviva Investors (Lime Fund). The Council is consequently exposed to losses arising from movements in the prices of the units.

#### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies, therefore the Council has no exposure to losses potentially arising from movements in exchange rates.

**HOUSING REVENUE ACCOUNT (HRA)- INCOME AND EXPENDITURE STATEMENT**

<u>2009/10</u> £'000	Note	<u>2010/11</u> £'000	<u>2010/11</u> £'000
<b>Expenditure</b>			
4,395		4,887	
4,970		4,940	
174		152	
12,329	8	12,362	
18,444	7	44,603	
156		79	
0		25	
<u>40,468</u>			<u>67,048</u>
<b>Income</b>			
(20,555)		(20,836)	
(484)		(491)	
(821)		(823)	
(4,231)		(4,584)	
<u>(26,091)</u>			<u>(26,733)</u>
<b>14,377</b>			<b>40,315</b>
<b>Net Cost of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement</b>			
104			105
<u>HRA Services share of Corporate and Democratic Core</u>			
<u>HRA share of other amounts included in the whole Council Net Cost of Services but not allocated to specific Services</u>			
0			(4,278)
<u>104</u>			<u>(4,173)</u>
<b>14,481</b>			<b>36,142</b>
<b>Net Cost of HRA Services</b>			
<u>HRA share of Operating Income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement</u>			
(467)			(429)
(216)			(199)
656	10		768
<u>(27)</u>			<u>140</u>
<b>14,454</b>			<b>36,282</b>
<b>(Surplus) / Deficit for the Year on HRA services</b>			

## MOVEMENT ON THE HRA STATEMENT

<u>2009/10</u> <u>£'000</u>	<u>Note</u>	<u>2010/11</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
4,038			4,224
(14,454)		(36,282)	
14,849		41,579	
(467)		(429)	
656		(3,830)	
(343)	4	(835)	
<b>241</b>			<b>203</b>
(55)	3	(684)	
(55)			(684)
186			(482)
<b>4,224</b>			<b>3,742</b>

### HRA Note 1) Housing Stock

<u>Property Type</u>	<u>Stock at 01/04/2010</u>	<u>Additions</u>	<u>Sales</u>	<u>Deleted / Demolished</u>	<u>Stock at 31/03/2011</u>
Low rise flats	1,301	0	3	2	1,296
Medium rise flats	505	0	0	0	505
High rise flats	0	0	0	0	0
Houses & Bungalows	3,409	1	6	0	3,404
<b>Total</b>	<b>5,215</b>	<b>1</b>	<b>9</b>	<b>2</b>	<b>5,205</b>

### HRA Note 2) Balance Sheet Values of HRA Assets

<u>Operational Assets</u>	<u>Value at 01/04/2010</u>	<u>Value at 31/03/2011</u>
	<u>£'000</u>	<u>£'000</u>
Council Houses & garages	338,865	296,999
Sheltered Housing Offices	184	191
Land	13	13
Shops	531	504
<b>Total</b>	<b>339,593</b>	<b>297,707</b>

The value of the housing stock 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 the housing stock at 31 March 2011 was £642m (31 March 2010 £645m).

The vacant possession percentage used for 2010/11 was 39% (46% 2009/10).

### HRA Note 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>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance @ 01/04/2010	(200)	(200)
Total Depreciation on all HRA assets	(3,595)	(3,024)
Depreciation less than the Major Repairs Allowance transferred to HRA	(55)	(684)
Expenditure in year	3,650	3,708
<b>Balance @ 31/03/2011</b>	<b>(200)</b>	<b>(200)</b>

### HRA Note 4) Capital Expenditure and Financing

The Council spent £6.172m on HRA capital projects in 2010/11 (2009/10 £5.483m). This spending was financed from the following sources:

<u>Source of Finance</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Major repairs allowance	3,650	3,709
Capital Expenditure funded from revenue	343	835
Capital Receipts	1,490	1,628
Supported Borrowing	0	0
<b>Total</b>	<b>5,483</b>	<b>6,172</b>

#### HRA Note 5) Capital Receipts

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

<u>Asset Type</u>	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Sale of Council houses	1,104	837
Right to buy discount repaid	0	28
Principal repayments on mortgage	35	32
Sale of land	0	12
<b>Total</b>	<b>1,139</b>	<b>909</b>

#### HRA Note 6) Capital Charges

The net capital charge to or from the HRA is known as the Item 8 Credit and the Item 8 Debit (General) Determination. The charge is based on the HRA capital financing requirement (CFR). It is calculated as the CFR multiplied by the year's average interest rate for PWLB loans if the CFR is positive or by the average interest rate obtained by the Council on its investments. In 2009/10 and 2010/11 the HRA CFR was negative so the latter method was used as follows:

	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
HRA investment income	(142)	(130)
Interest on cash balances & mortgages	(74)	(68)
Other interest received	0	0
<b>Total</b>	<b>(216)</b>	<b>(198)</b>

#### HRA Note 7) Depreciation and Impairment

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

	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Council houses- depreciation	3,595	3,024
Council houses- impairment	14,849	41,578
Depreciation- other properties	0	0
<b>Total</b>	<b>18,444</b>	<b>44,602</b>

Impairment relates to a general reduction in the value of Council houses due to a fall in the market prices for housing, which are reflected in the indices used to value the housing stock.

#### HRA Note 8) Negative Subsidy Payments

When the notional housing subsidy becomes negative, the Council is obliged to pay to the Department for Communities and Local Government (DCLG) the value of the assumed surplus on the HRA. This arrangement was brought about in 2005/06, when the value of rent rebates payable to housing tenants was transferred as a cost to the General Fund. Since this date, the Council no longer receives housing subsidy on its HRA activities. The breakdown of the negative subsidy payment to the DCLG is as follows:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Rent income	(20,267)	(20,735)
Interest receipts	(185)	(44)
Management and maintenance	8,073	8,417
<b>Total</b>	<b>(12,379)</b>	<b>(12,362)</b>

#### HRA Note 9) Rent Arrears

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Current tenant arrears	617	532
Former tenant arrears	237	250
Total	854	782
Bad debt provision	(375)	(328)
<b>Total</b>	<b>479</b>	<b>454</b>

#### HRA Note 10) The HRA share of Contributions to/from the Pensions Reserve

The Council recognises the share of pension fund net assets and liabilities attributable to the HRA within appropriations in the net operating costs for the service (6.82% based on contributions in year). Appropriate adjustments are made so as to ensure that the sum required to be funded by housing rents is equal to the actual contributions paid to the Pension Fund in the year. The following adjustments have been made through the Statement of Movement on the HRA balance in the year.

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Current service costs & unfunded (within expenditure)	392	914
Past service costs	0	(4,278)
Pension interest costs	1,468	2,366
Expected return on assets	(812)	(1,598)
<b>Net change to Income and expenditure account</b>	<b>1,048</b>	<b>(2,596)</b>
Statement of movement in the HRA balance:		
Reversal of net charges made for retirement benefits	(5)	1,362
<b>Employers contribution payable to the scheme (within expenditure)</b>	<b>(1,043)</b>	<b>(1,234)</b>

### THE COLLECTION FUND STATEMENT

2009/10 £'000	Note	2010/11 £'000	2010/11 £'000
<b>Income</b>			
135,017		139,472	
15,516		16,498	
2		(2)	
73,514	3	69,214	
<u>224,049</u>			<u>225,183</u>
<b>Expenditure</b>			
Precepts and Demands (in year)			
129,901	4	134,646	
13,218	4	13,783	
7,676	4	7,849	
150,795			156,279
Business Rates:			
73,149		68,889	
330		325	
73,479			69,214
Bad and doubtful debts:			
0		287	
401		(196)	
401			91
244	5		199
<u>224,919</u>			<u>225,783</u>
(870)			(601)
<b>(43)</b>			<b>(913)</b>
<b>Surplus/(Deficit) Balance Bought Forward</b>			
(539)		(346)	
(87)		(56)	
<b>(626)</b>			<b>(402)</b>
<b>Total in Year Surplus/(Deficit)</b>			
(244)	5		(199)
(870)			(601)
<b>(913)</b>	5		<b>(1,514)</b>
<b>Surplus/(Deficit) Balance Carried Forward</b>			



### CF Note 1) Introduction

The Collection Fund is required to meet the statutory requirement to show the transactions of the billing Council in relation to Council tax and national nondomestic rates (NNDR). The Collection Fund shows how the transactions have been distributed to the Council and its major preceptors Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority. Town and parish precepts form part of the amount due to be collected from Council taxpayers within Central Bedfordshire.

### CF Note 2) Council Tax Base

The tax base is derived by estimating the number of domestic properties in each Council tax band, applying reliefs and exemptions and multiplying the result by the weighting factor applicable to each tax band. This result is then reduced by 0.5% to allow for non-collection and other reductions such as discounts and appeals.

For 2010/11 the tax base was calculated as follows:

<u>Tax Band</u>	<u>Property by Band</u>	<u>Weighting Factor</u>	<u>Band D Equivalent</u>
A*	-	5/9	-
A	9,199	6/9	6,133
B	21,817	7/9	16,969
C	30,668	8/9	27,260
D	19,715	9/9	19,715
E	13,842	11/9	16,918
F	7,314	13/9	10,565
G	4,342	15/9	7,237
H	324	18/9	648
-	<u>107,221</u>	-	<u>105,444</u>
Less: other adjustments (discounts/appeals etc)			9,760
			<u>95,684</u>
Less: adjustment for collection rate (0.5%)			478
Tax Base 2010/11			<u>95,206</u>

The amount of Council Tax required by Central Bedfordshire is arrived at by dividing the net budget requirement of the Council by the tax base to arrive at the Band D equivalent as follows:

2010/11: £126,143,895 / 95,206 = £1,324.96p (2009/10: £130,060,951 / 94,040 = £1,383.04p). This is then split by:

- North: £126,143,895 / 51,012 = £1,308.33p
- South: £126,143,895 / 44,194 = £1,344.15p

### CF Note 3) NNDR

The total non-domestic rateable value at 31 March 2011 was £203,820,917 as per the Valuation Office's schedule dated 31-Mar-2011 (£177,814,489 in 2009/10).

The 2010/11 NNDR standard multiplier set for the year by the Government was 41.4p (48.5p in 2009/10) and 40.7p for small businesses.

NNDR income was £69,214k (£73,514k 2009/10).

#### CF Note 4) Major Precepting Authorities

The major precepting authorities were:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Central Bedfordshire Council	129,901	134,646
Bedfordshire Police Authority	13,218	13,783
Bedfordshire & Luton Combined Fire Authority	7,676	7,849
<b>Total</b>	<b>150,795</b>	<b>156,279</b>

#### CF Note 5) Allocation of the Collection Fund

The Council now only has to reflect balances held in respect of its own share of Council tax debt. The remaining balances are reflected within the Balance Sheet as debtors or creditors with major preceptors and the government depending on whether the cash paid over to them is more or less than their attribute share of Council tax or NNDR due for the year, net of any provision for bad debts.

For 2010/11, the balances calculated on this basis are as follows:

	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>
Balance 1 <sup>st</sup> April	(43)	(913)
Allocated in year:		
* Central Bedfordshire Council	(210)	(171)
* Bedfordshire Police Authority	(21)	(18)
* Bedfordshire & Luton Combined Fire Authority	(12)	(10)
Total Distributed	(244)	(199)
Prior years surplus to be distributed / (overpayment-deficit)	(287)	(1,112)
Surplus/(deficit) in year	(626)	(402)
<b>Balance 31<sup>st</sup> March</b>	<b>(913)</b>	<b>(1,514)</b>
<u>Allocated Between:</u>		
Bedfordshire Police Authority	2009/10 and prior	(80)
Bedfordshire Police Authority	2010/11	-
Bedfordshire & Luton Combined Fire Authority	2009/10 and prior	(46)
Bedfordshire & Luton Fire Combined Authority	2010/11	-
Total recorded within creditors		(127)
Central Bedfordshire Council	2009/10 and prior	(786)
Central Bedfordshire Council	2010/11	-
Total recorded within the Collection Fund		(786)
<b>Balance 31<sup>st</sup> March</b>		<b>(913)</b>

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Chief Finance Officer is the Assistant Director Financial Services within the Customer Services and Shared Services Directorate
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- Approve the Statement of Accounts.

### The Chief Finance Officer Responsibilities

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

In preparing this statement, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

### Certification and Approval

The Statement of Accounts presents a true and fair view of the financial position of Central Bedfordshire Council at 31<sup>st</sup> March 2011 and its income and expenditure for the year ended 31<sup>st</sup> March 2011.

.....  
John Unsworth  
Chief Finance Officer

Date: 27/09/2011

I confirm that the Statement of Accounts were approved by the Audit Committee of Central Bedfordshire Council at its meeting on 27<sup>th</sup> September 2011.

.....  
David Bowater, ARCS, BSc Hons.  
Chair of the Audit Committee

Date:

## ANNUAL GOVERNANCE STATEMENT

### 1.0 SCOPE OF RESPONSIBILITY

Central Bedfordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

Central Bedfordshire also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

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

Central Bedfordshire Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this code is on our website [www.centralbedfordshire.gov.uk](http://www.centralbedfordshire.gov.uk) and can be obtained from:-

Central Bedfordshire Council,  
Legal and Democratic Services,  
Priory House,  
Monks Way,  
Chicksands,  
Shefford,  
Bedfordshire SG17 5TQ

This statement should be read in conjunction with the Code of Corporate Governance. It explains how Central Bedfordshire Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 on the publication of a statement of internal control.

### 2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework is made up of the systems, processes, culture and values by which the authority directs and controls its activities and through which it accounts to, engages with and leads the community. The governance framework enables the authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost effective services. The governance framework is described in the Code of Corporate Governance.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of

the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring, the impact should they happen, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Central Bedfordshire Council for the current financial year.

### **3.0 THE GOVERNANCE FRAMEWORK**

This section of the Annual Governance Statement describes the key elements of the systems and processes that make up the authority's governance arrangements:

#### **3.1 The Council's Vision**

The Council has committed itself to a vision for Central Bedfordshire that has been developed and adopted by the Local Strategic Partnership as part of the Sustainable Communities Strategy. This vision is:

- to realise the area's economic potential;
- to be globally connected;
- delivering sustainable growth
- and ensuring a green, prosperous and ambitious place for the benefit of all.

Beneath this vision, the Council has five priorities set for the period 2009-11:

- Supporting and caring for an ageing population
- Educating, protecting and providing opportunities for children and young people
- Managing growth effectively
- Creating safer communities
- Promoting healthier lifestyles.

Our extensive MORI survey work with the public in 2009 reinforced the Council's stated priorities.

Directorate and the Children and Young People's Plans are in place to drive delivery of the Council's key work programmes.

The Council has also committed to a set of organisational values that describe the type of organisation we want to be and the principles that will guide us in achieving our priorities and vision. These set out the way the council will work and interact with its customers, members and staff.

The Council's values are:

- Respect and Empowerment – we will treat people as individuals who matter to us
- Stewardship and Efficiency – we will make the best use of the resources available to us
- Results Focused – we will focus on the outcomes that make a difference to people's lives, and
- Collaborative – we will work closely with our colleagues, partners and customers to deliver on these outcomes.

#### **3.2 Service Quality**

We have used regular performance reporting to ensure a sustained focus on those things that matter most to local people; our key priorities are set out in our Strategic Plan. We have a focussed and disciplined approach to producing, reviewing and acting on this critical performance information and it has resulted in significant success in both delivering short and medium term priorities and in the continuing improvement in the performance of our services.

At a strategic level, the Corporate Management Team (CMT) receives a quarterly report setting out the overall performance of the Council. This comprises the key directorate and corporate health performance indicators. This report is then presented to the Executive with any specific issues addressed through Overview & Scrutiny. Supporting this strategic approach, each month Directorate Management Teams receive a report setting out the key performance of the directorate, with associated commentary provided by the Assistant Directors.

Central Bedfordshire Council wants to ensure that it provides services which address the needs of all members of the community and employs a workforce that at all levels is representative of the community it serves.

The Council conducts equality analysis by means of Equality Impact Assessments as strategies, policies and services are developed to:

- Consider issues relating to age, disability, sex, pregnancy and maternity, gender reassignment, marriage and civil partnerships, race, religion and belief and sexual orientation;
- Obtain a clearer understanding of how different groups may be affected;
- Identify changes which may need to be built into an initiative as it is developed;
- Comply with legislative requirements;
- Identify good practice.

### **3.3 Key roles and responsibilities**

The Council's Constitution sets out how the Council operates. It indicates clearly what matters are reserved for decision by the full Council itself, those powers which have been delegated to committees and officers. The powers of the Executive and those delegated to individual portfolio holders are also defined. The Council has adopted an innovative approach to the design of its Constitution with separate chapters covering each of the main areas of operation (i.e. Council, Executive, Overview and Scrutiny, Officers, Joint Arrangements, Ethics and Standards etc). The Constitution is reviewed regularly.

All Councillors meet together as the full Council. Here Councillors decide the budget and policy framework, appoint the Leader and committees. It is the forum for major debates and consideration of matters of interest to the whole community of Central Bedfordshire as well as holding the Executive and committees to account.

The Executive is responsible for the key decisions of the Council. The Executive has to make decisions which are in line with the budget and policy framework. The Leader appoints the Executive and determines which portfolios Executive members will hold. The Leader is also able to delegate Executive functions to an individual portfolio holder, a committee of the Executive or an officer. Procedures are in place to record and document any such decisions taken by the Leader. Where major

decisions (known as “key decisions”) are to be discussed, these are published in the Executive’s forward plan, in so far as they can be anticipated.

The Council has established four overview and scrutiny committees which are aligned to the organisational structure. These committees support the work of the Executive and Council as a whole. They submit reports which advise the Executive on policy development, budget and service delivery. Overview and scrutiny committees also monitor and scrutinise the decisions of the Executive, including power to “call-in” a decision which has been made by the Executive but has yet to be implemented. Overview and scrutiny committees allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. The overview and scrutiny committees have played a significant role in policy development.

The key policies of the Council are defined in the “Policy Framework” which is set out in the Budget and Policy Framework Procedure Rules within the Constitution. The Council, via the Constitution Advisory Group, reviews the Policy Framework annually to ensure that it is fit for purpose and contains the most strategically important plans and those closely aligned to its corporate priorities.

The Constitution describes the role of the statutory officers (the Head of Paid Service, the Monitoring Officer and Chief Finance Officer) as well as describing in the Scheme of Delegation those statutory duties for which officers are responsible. It also includes a Member/Officer protocol which sets out a framework to guide officers and members in their joint working. Role definitions covering the responsibilities and accountabilities of key member offices (e.g. Leader, Portfolio holder, Overview and Scrutiny Chairman, Chairman of the Council) have also been developed to assist in understanding their respective roles and expectations.

The governance arrangements for the Chief Finance Officer are set out in the CIPFA statement on the Role of the Chief Finance Officer in Local Government (2010) and are as follows:

The Chief Finance Officer in a public service organisation:

- (a) is a key member of the strategic management of the Council, helping it to develop and implement strategy and to resource and deliver the authority’s strategic objectives sustainably and in the public interest;
- (b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority’s financial strategy; and
- (c) must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Finance Officer

- (1) must lead and direct a finance function that is resourced to be fit for purpose; and
- (2) must be professionally qualified and suitably experienced.

The Assistant Director Financial Services is designated as the Council’s Chief Finance Officer. The post holder is not a full member of the Council’s Corporate Management Team (CMT) but he/she has access to the agenda, reports and minutes of CMT and attends CMT meetings.

The powers of officers are clearly defined in the Scheme of Delegation to Officers and the Scheme also sets out the circumstances in which delegations are not to be exercised and principles which should be taken into account by decision takers in taking decisions. High level Codes of Financial and Procurement Governance set out the constraints within which officers must work and these Codes are supported by more detailed procedure rules.

Internal systems are in place with the aim of ensuring that Members are presented with the appropriate information to make decisions, including corporate implications with advice on legal, risk and financial considerations. Member level decisions are made on the basis of reports and are recorded. The Constitution also sets out the principles that decision makers should apply when taking decisions on the Council's behalf.

### **3.4 Codes of conduct and standards of behaviour Officers and Members**

Central Bedfordshire Council has embedded a standards regime within which it operates. The Standards Committee for Central Bedfordshire Council consists of 15 Members, 5 of whom are Independent, 5 from Town and Parish Councils and 5 elected Members. There is a comprehensive system to deal with local determinations of alleged breaches of the Members' Code of Conduct via Sub-Committees, which assess, review and determine complaints. All are chaired by Independent Members. In 2010/11 the Council received a total of 14 complaints alleging breaches of the Code of Conduct. Of these, 8 concerned members of Central Bedfordshire Council and 8 related to members of Town and Parish Councils. (There were two complaints that related to members of both Central Bedfordshire Council and a Town or Parish Council.)

The Code of Conduct for Members is contained within the Constitution, together with a Code of Conduct for Officers, a Protocol for Members/Officer Relations and a Monitoring Officer Protocol. Additionally, there is an Ethical Handbook for Central Bedfordshire Council which contains further codes relating to Gifts and Hospitality, Planning Code of Good Practice, Licensing Code of Good Practice, Confidential Reporting Code (Whistleblowing) and Members' Guidance on Property Transactions and Commercial Property Management, together with details of the indemnity that the Council has provided for Members and Officers of the Council.

Ethical standards have been embedded within the Authority by way of comprehensive training and development to Members. We have also provided training to Members of Town and Parish Councils. The Standards Committee believes that "standards matter" and has adopted this slogan to raise its profile. The Council's magazine circulated to all households has included an article by the Chair of the Standards Committee. A web page is allocated to standard matters.

The Chief Executive and the Leader of the Council meet with the Chair of Standards Committee to ensure the profile of standards remains high on the agenda.

The Council's Head of Legal & Democratic Services has been appointed to the position of Monitoring Officer and has direct access to the Council's Corporate Management Team.

During 2011/12 the arrangements described above will require review to reflect the changes that are likely to be enacted in the Localism Bill. The Bill proposes the abolition of Standards for England and the current Standards Framework in favour of greater local discretion.



### **3.5 Decisions, processes and controls**

The Council keeps the Constitution under review.

A Constitution Advisory Group supported by the Monitoring Officer meets on a bi-monthly basis and has an annual work programme. As well as reactive work, the Group's terms of reference provide for a proactive approach, with the Group being tasked to investigate options for increasing efficiency, transparency of decision making and public engagement. Any recommendations for amendments to the Constitution are submitted to full Council.

Amendments to the Constitution are circulated on a quarterly basis. The Constitution is available on the Council's website which is also updated at the same time as the hard copy of the document is re-issued.

Training on the Constitution has been provided to Members and Officers and a "Frequently Asked Questions" document with links to the relevant part of the Constitution has been developed and has been published on the Council's website.

The Scheme of Delegation to Officers sets out the powers which are delegated to the Chief Executive and Directors, as well as setting out the general principles governing the circumstances in which decisions may not be taken under delegation and considerations to be taken into account by a decision maker when making a decision. Procedures are in place to enable Directors to sub-delegate to other officers and to notify the Monitoring Officer of any such arrangements made.

The Code of Financial Governance sets out the limits within which officers may make decisions on spending, within the budget approved by the Council. The Code is supported by detailed procedure rules which are maintained on the Council's intranet.

The Code of Procurement Governance defines the procurement process and the relevant levels of authority dependant upon financial thresholds. The Code is supported by detailed procedure rules which are maintained on the Council's intranet. The rules are promoted to staff through bespoke training courses which are booked through HR Learning & Development. They are also embedded in a Procurement Tool Kit which is made available to all members of staff who are involved in procurement. A two page pictorial summary of the rules is also made available on laminates of A3, A4 and credit card size as aide memoires

The responsibility for risk management has transferred to the Office of the Chief Executive and the Council's Risk Management Strategy and Strategic Risk register have recently been reviewed and refreshed. CMT have endorsed the updated Risk Management Strategy, and agreed that they will receive regular risk reports in line with the quarterly performance reporting cycle.

Committee reports require officers to set out the risk management considerations in terms of current and potential risks and how they will be managed and mitigated.

### **3.6 Functions of the Audit Committee**

The terms of reference of the Audit Committee are set out in the Council's Constitution, and are broadly in accordance with the CIPFA guidance document. The purpose of the Audit Committee is to provide independent assurance of the

adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

### **3.7 Compliance with relevant laws and regulations**

The Council maintains an in-house team of professional legal staff with specialist knowledge of its functions who advise on relevant laws, regulations and constitutional issues to ensure that the Council acts lawfully. The Legal Services Team inherited the Lexcel accreditation, a quality standard designed specifically for public and private sector legal practices, which was awarded to the County Council's Legal Services Team in January 2007. The Central Bedfordshire Legal Team was assessed in May 2010 and achieved Lexcel accreditation in its own right. This accreditation applies for three years with annual maintenance visits. Compliance with the Lexcel standard provides assurance that the in-house service provides a service in accordance best practice. There is a strong focus on continuous professional development to ensure that staff are well-trained and have up-to-date knowledge of all the relevant specialist areas of law that govern the Council's activities.

All reports that are considered by the Executive, the Council's regulatory committees and by Overview and Scrutiny Committees include advice on the legal implications and risks of the proposed decisions. These reports are reviewed by a senior legal adviser to ensure that the legal implications have been accurately reflected.

A senior lawyer attends meetings of the Council, the Executive and regulatory committees to advise on legal issues as they arise.

The Council has established a Constitution Advisory Group which meets regularly to review the workings of the Constitution and to recommend to the Council any changes that may be required.

### **3.8 Whistle-blowing and complaints**

The Council has adopted a 'whistleblowing' policy known as the Confidential Reporting Code and contained in the Ethical Handbook section of the Constitution. This was reviewed and updated by both the Standards and Audit Committees in July 2009.

Alongside this Code, an Anti Fraud and Corruption Strategy was also approved by both committees and is now also included in the Ethical Handbook.

The Council welcomes feedback on its services and has a three stage complaints procedure for customers. There are timescales for remedying complaints. If more time is needed the complainant will be informed.

The Three Stages of the Complaints Procedure:

Stage 1 Complaints – local resolution by a manager of the service. A response is required to be made within five working days.

Stage 2 Complaints – senior service level investigation. A response is required to be made within 15 working days.

Stage 3 Complaints – investigation by someone outside of the service area complained about. A report is to be produced within 15 working days. The service Director responds to the findings in the report.

There are separate procedures for Children’s Services and Adult Social Care where complaints procedures are governed by Regulations.

### **3.9 Development and training for Officers and Members**

The organisation has adopted a set of values. The performance management process will also be used to embed the values and to identify the training and development priorities for staff. This in turn will trigger a programme of development. Our top three tiers of senior managers meet regularly as a senior management group, and engage in development activity.

Comprehensive Member induction took place in 2009/10 after the local elections, including specific work with our new Members. This was considered to be critical to the development of organisational capacity given the embryonic nature of the new unitary authority.

All 66 Councillors have undertaken a personal development review to identify their development needs. The outcomes of this exercise have enabled an informed approach to be taken to the formulation of the Member Development Programme for 2010/11.

A group of Member Development Champions has been established to take forward the Council’s commitment to learning and development amongst its Councillors. As a new Council, Central Bedfordshire has had an unrivalled opportunity to ensure that, from the outset, best practice becomes embedded in our ways of working.

Recently, the Member Development Programme has been reviewed and a Members’ Induction Programme has been agreed for implementation after the Council election in May 2011.

### **3.10 Channels of Communication**

Central Bedfordshire Council has developed a Corporate Communication Strategy with the aim of improving customer satisfaction through the delivery of planned, sustained and two way communications with the public, staff and other stakeholders.

Specifically, the strategy commits the Council to:

- a) raise awareness and understanding of the organisational purpose, vision, priorities and values
- b) develop and improve its channels of direct communication with customers and stakeholders
- c) prioritise core campaigns
- d) enhance internal communications to facilitate change and increase staff engagement
- e) enhance media relations to enable accurate reporting of the decision making and service developments of the council
- f) support effective relationships with national and regional stakeholders.

Core channels for public communication include our community magazine, News Central, which is delivered to all households on a regular basis. The magazine

regularly includes information about all access routes to the Council, by phone, online or face to face.

The News Central magazine also includes features on policy and service developments, promotes consultations and invites feedback from customers. Copies of the magazine are available in alternative formats and it is published online.

The Council's website is an alternative channel to provide news and information to residents and other stakeholders. In order to strengthen our ability to engage with all elements of our community and particularly with younger people, the Council has developed a presence online to embrace social media through sites such as Wordpress, Facebook and Twitter.

Proactive media relations services also ensure that Council decision making and service developments are effectively reported to the media, which continues to be a key communication channel to the public.

Staff communication mechanisms combine a series of face to face, online and written media. These include regular staff briefings, a weekly electronic bulletin, a monthly management team cascade, blogs and updated news on the intranet.

Stakeholder communications channels comprise a stakeholder ezine, regular face to face fora and the publication of information on the Central Bedfordshire Together website, a bespoke site for the Local Strategic Partnership.

### **3.11 Partnership governance**

The Council's Constitution includes a detailed Partnerships Protocol that sets out the arrangements and principles for established and future Public and Private Sector Partnerships. These are defined as:

Public Sector Strategic Partnerships: one or more public bodies, including voluntary organisations and charities that determine strategies for service delivery, but which have little or no resource management responsibilities;

Public Sector Delivery Partnerships: one or more public bodies, including voluntary organisations and charities that commission or deliver services on behalf of the partners and which have significant resource management responsibilities; and Private Sector Partnerships: private companies, either in their own right or as part of a public sector partnership entering into a contract with the Council for a considerable period.

The Partnerships Protocol was developed in line with the Audit Commission's report on partnership governance and includes the following statement:

*"All partnership arrangements entered into by the authority will follow the Audit Commission's guidelines on partnership governance outlined in the Governing Partnerships: Bridging the Accountability Gap (October 2005) document, the recommendations of which are to:"*

The Partnerships Protocol then sets out all of the key requirements to ensure accountability (internally amongst partners and externally to communities), value for money, leadership, decision-making, scrutiny and risk management.

All partnerships are required to have detailed terms of reference that fully set out all of the arrangements and key partnerships, such as the Local Strategic Partnership, review these on an annual basis to ensure they are fit for purpose and aligned to the Partnership's future work programme.

#### **4.0 REVIEW OF EFFECTIVENESS**

Central Bedfordshire Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates:

The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular, the Council has adopted the CIPFA/SOLACE framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local Code of Corporate Governance. The Council's review process uses the key roles and core principles included in this guidance and this Statement sets out how the Council meets these roles and principles in its control and governance arrangements.

The Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports;
- the work undertaken by Internal Audit during the year;
- the work undertaken by the external auditor reported in their annual audit and inspection letter;
- other work undertaken by independent inspection bodies.

The arrangements for the provision of internal audit are contained within the Council's Code of Financial Governance which is included within the Constitution. The Director of Customer and Shared Services is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control, as required by the Accounts and Audit Regulations (amendments) 2006. The internal audit provision is managed, independently, by the Head of Audit who reports to the Assistant Director – Financial Services on an administrative basis, and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

The Internal Audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The resulting work plan is discussed and agreed with the Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These are submitted to Members, Directors and Head Teachers as appropriate.

The internal audit function is monitored and reviewed regularly by the Audit

Committee. The Committee also reviews progress in implementing high risk recommendations made in audit reports.

A self assessment review is undertaken annually by the Head of Internal Audit on the effectiveness of the Internal Audit function in addition to a similar exercise carried out by the Audit Commission during 2009/10. No issues of concern were raised as a result of this work by either review.

The Council has established Overview and Scrutiny Committees which receive reports on key issues including budget monitoring, performance and efficiency information.

The Council Plan and performance is monitored on a quarterly basis both by the Executive and Overview and Scrutiny Committees. Directorate and service plans contain a variety of performance indicators and targets that are regularly reviewed.

The Council has established a number of mechanisms to review and develop its efficiency targets. These include the 'Every Penny Counts' campaign, an Efficiency Implementation Group chaired by the Director of Children Services and Deputy Chief Executive as well as a review of the Senior Management structure in the organisation.

The Council's Standards Committee meets regularly and is updated on National and Local issues. Training Sessions were held for all Members on the Revised Code of Member Conduct.

The Council supports an Equality Forum (Central Bedfordshire Equality Forum) of voluntary sector representatives which acts as an advisory and consultative body to the Council on statutory service delivery and employment duties and issues relating to age, disability, gender, gender re-assignment, race, religion or belief and sexual orientation as they relate to Central Bedfordshire. The Core Functions of the Forum are:

- To provide a mechanism for consultation and liaison with community groups and other voluntary sector agencies.
- To advise on the overall development and implementation of the Council's Single Equality Scheme.
- To provide advice and feedback on the impact of new policies and <sup>2</sup>functions.
- To consider and quality assure Equality Impact Assessments undertaken by the Council, or in conjunction with partners, relating to strategy, policy and service development. Recommendations will be fed back to the Equality Officers Working Group and relevant services.
- To raise awareness within the Council of the potential barriers to inclusion and equality of opportunity experienced by vulnerable and disadvantaged groups.

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<sup>2</sup> Forum members will provide initial advice and feedback, where members feel that they cannot provide an informed analysis of the ways in which a strategy, service or policy proposal will impact on a certain group then secondary consultation will be required. This will be undertaken in accordance with the Council's Engagement and Consultation Strategies.

The Equality Forum meets four times a year and quality assures all the significant Council Strategies and Policies and the accompanying equality impact assessments. The Forum has already reviewed a number of key initiatives spanning all parts of the Council including that of the budget setting process. Extracts from impact assessments and minutes can be provided if required.

An Information Governance Steering Group is in place and is chaired by the Statutory Information Reporting Officer (SIRO) to improve and promote information governance.

## **5.0 SIGNIFICANT GOVERNANCE ISSUES**

Due to the short timescales and complexity surrounding the implementation of the new unitary authority, there was always an acceptance that some significant governance issues could arise as the Council completed its first year. As a result the following issues were raised as areas of concern:

### **5.1 Adult Social Care performance**

At a very early stage, there was concern that the performance of the Adult Social Care service was very poor and needed urgent attention. As a result a recovery board was created, chaired by the Chief Executive, that has led, completed and introduced improvement plans for eleven service areas as part of phase one of the an overall recovery programme. The phase two programme in 2010/11 is targeting four areas for improvement. The Council still recognises this as a risk, and oversight by the recovery board continues.

### **5.2 School Improvement**

The Council has recognised that this is an area where there is under performance and as a means to raise the results at all key stages, has approved a vision which should set firm foundations for higher achievement in our school trusts, federations and partnerships.

### **5.3 Safeguarding Children**

The Council recognises that there is a risk that a failure to improve service provision within Children's Services or a failure to implement new child protection procedures, and update guidance and share good practice could lead to death of vulnerable children, reputational damage and/or failure to identify children at risk of significant harm. There is a Children's Workforce Development Plan in place to achieve a significantly qualified workforce in the areas where staff are working with the most vulnerable children, and a clear communications strategy for managing high publicity cases within the media.

### **5.4 ICT Resilience**

The merging of any ICT system or infrastructure is always a potentially risky operation. Having to merge the three different ICT infrastructures and departments into one was highly complex operation and the first phase of which was carried out under extremely short timescales. During this process we have taken steps to ensure good ICT governance and improve the resilience of our infrastructure and systems. The main objective of the resilience programme is to reduce the number of networks from four to one and good progress has been made on this during the last year. There was a severe outage of our ICT systems last year. Our business

continuity arrangements were actioned and this was a good learning experience for the Council and has further strengthened our resilience arrangements.

## **5.5 Medium Term Financial Strategy**

The Council's financial health is critical to its future progress. In 2010/11 the Council identified a target of over £12M in efficiency savings. The Medium Term Strategy for 2011/12 to 2014/15 identifies a further £21M of efficiencies and service reductions which must be achieved to secure a breakeven position.

## **5.6 Results of the Internal Audit Managed Audits**

There remain concerns within the Payroll systems resulting in a limited assurance opinion. Controls in this area need to be strengthened. A comprehensive review of the payroll function is being carried out and the outcome and recommendations from that review will be reported to the Customer and Central Services Overview and Scrutiny Committee.

Progress has been made during the year to address the control weaknesses identified during 2009/10 in respect of the managed audit of the key financial systems. However, further work is required to ensure timely reconciliations of feeder systems, suspense, control and bank accounts within the key financial systems during the year. Work to address these shortcomings has been undertaken in time to prepare the 2010/11 Annual Statement of Accounts.

There are also a number of concerns surrounding ICT access and security, including Disaster Recovery. Recommendations have been made to address these and where these are regarded as high risk they will continue to be monitored by the Audit Committee during 2011/12.

Internal audit work has been undertaken on the Shared services arrangements with Bedford Borough Council and recommendations made to improve the governance arrangements.

## **5.7 Capacity and Capability to Deliver under Financial Pressure**

In order to address concerns raised about the capacity and capability of Customer & Shared Services, a similar improvement board approach to that implemented in Adult Social Care has been established for a number of work streams within the Directorate.

The Recovery Board oversees the delivery of the Programme and meets every six weeks to review progress. The Recovery Board is comprised of Corporate Management Team and is chaired by the Chief Executive. Additionally a Member Reference Group also reviews progress. This is comprised of the Deputy Leader, Portfolio Holder for Finance, People & Governance, Portfolio Holder for Customers, Systems & Assets and chaired by the Leader of the Council.

The Recovery Programme supports improvement across the core service areas of ICT, Human Resources, Finance (including Revenues & Benefits), Asset Management and Procurement. This will be achieved by:

- Delivering stable service solutions that are fit for purpose and that will enable Frontline Directorates to improve and develop their services, and indeed drive out the necessary efficiencies to balance their increasingly pressurised budgets.



- Addressing the issues identified by recent perception surveys and feedback from front line services.
- Providing a process to accelerate, prioritise and focus capacity on the critical recovery activities required to achieve the objectives above.

## **6.0 CONCLUSION**

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2010/11.

The Council proposes to take steps over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....  
**J JAMIESON**  
**LEADER OF THE COUNCIL**

.....  
**R CARR**  
**CHIEF EXECUTIVE**

**Dated**

**Dated**

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

***TO BE INPUT IN SEPT 2011 FOLLOWING AUDIT COMPLETION***

***Signed by District Auditor***

## GLOSSARY

For the purpose of this Statement of Accounts, the following definitions have been adopted:

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts. The end of the accounting period is the balance sheet date.
<b>Accounting Statements</b>	The Council's Core Financial Statements and Supplementary Financial Statements.
<b>Accrual</b>	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
<b>Appointed Auditors</b>	These are the external auditors appointed by the Audit Commission. They may be from the Audit Commission's own operations directorate or from a major accountancy firm. The Council's current approved auditors are from the Audit Commission's own operations directorate.
<b>Approved Institutions</b>	Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.
<b>Asset</b>	An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year whereas a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.
<b>Audit of Accounts</b>	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
<b>Balance Sheet</b>	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
<b>Budget</b>	A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.
<b>BVACOP</b>	Best Value Accounting Code of Practice. The system of local authority accounting and reporting which reflects, in particular, the duty to secure and demonstrate 'best value' in the provision of services. BVACOP lays down the required content and presentation of costs of service activities.
<b>Billing Authority</b>	A local authority charged by statute with responsibility for the collection of and accounting for Council Tax and non-domestic rates (NDR; business rates). These in the main are district councils, and unitary authorities e.g. London boroughs.
<b>Budget</b>	A budget is a financial statement that expresses a council's service delivery plans and capital programmes in monetary terms. This normally covers the same period as the financial year but increasingly councils are preparing medium-term budgets covering 3 to 5 years.
<b>Capital Expenditure</b>	Expenditure to acquire or enhance fixed assets that will be used in providing services for more than one year.
<b>Capital Financing</b>	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including

	borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.
<b>Capital Programme</b>	The capital schemes the Council intends to carry out over a specified time period.
<b>Capital Receipt</b>	The proceeds from the disposal of land and other assets, as long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.
<b>Cashflow Statement</b>	A statement that summarises the inflows and outflows of cash within the Council's accounts.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
<b>Collection Fund</b>	A separate fund maintained by a billing authority that records the expenditure and income relating to council tax and non-domestic rates, including the amounts raised on behalf of Precepting Authorities.
<b>Community Assets</b>	Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings. The value of the assets in the Balance Sheet is usually nil.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>Contingent Liability/Asset</b>	<p>Contingent Liability: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.</p> <p>Contingent Asset: a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.</p>
<b>Core Financial Statements</b>	The main accounting statements of the Council comprising the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement. Together with the Supplementary Financial Statements comprise the Council's Accounting Statements.
<b>Council Tax</b>	This is one of the main sources of income to a local authority. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the billing authorities own General Fund.
<b>Creditor</b>	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
<b>Debtor</b>	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for

	which payments have been received by the end of that accounting period.
<b>Depreciation</b>	The measure of the cost of the benefits of a fixed asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
<b>Estimates</b>	Where definitive figures are not available/cannot be found, estimates are used to produce the statement of accounts. These estimates are based on the best information available at the time of production.
<b>Estimate (budgets)</b>	These are the amounts expected to be spent, or income expected to be received, during an accounting period. They are also referred to as budgets. The original estimate is the estimate for a financial year approved by the council before the start of the financial year; the revised estimate is an updated revision of the original estimate part-way during the financial year.
<b>Events After Balance Sheet Date</b>	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.
<b>Exceptional Items</b>	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence so that the financial statements give a true and fair view.
<b>Extraordinary Items</b>	Material items possessing a high degree of abnormality which derive from events or transactions that fall outside the ordinary activities of an authority and which are not expected to recur.
<b>Finance Lease</b>	A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
<b>Financial Reporting Standard (FRS)</b>	Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these statements is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.
<b>Financial Year</b>	Period of time to which the Statement of Accounts relates. The financial year for Local Authorities runs from 1 April to 31 March.
<b>Fixed Assets</b>	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
<b>Government Grants</b>	Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.
<b>Gross Expenditure</b>	The total cost of providing the Council's services before taking into account income from fees and charges and government grants.
<b>Housing Benefits</b>	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

<b>Housing Revenue Account</b>	A separate, statutory account inside the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the Council acting as landlord.
<b>Impairment</b>	This is a reduction in value of a fixed asset as shown in the balance sheet to reflect its true value.
<b>Income</b>	This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants and investment interest.
<b>Income and Expenditure Account</b>	An account which summarises resources generated and consumed in the provision of services for which the Council is responsible.
<b>Infrastructure Assets</b>	Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways) and for which a useful life span cannot be readily assessed.
<b>Intangible Assets</b>	These are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.
<b>International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)</b>	Full implementation of the use of International Accounting Standards under IFRS for Local Government Accounts was originally expected in 2009/10 but has now been deferred to 2010/11. The 2008 SORP incorporates recent changes to FRS17 – Accounting for Pension Costs, which bring it into line with IFRS by accounting for the fair value of some of the assets of the scheme and revising disclosure requirements. Other influences from International Accounting Standards such as reporting requirements and terminology used when accounting for financial instruments under UK GAAP were brought into use by the 2007 SORP.
<b>Liability</b>	A liability arises when the Council owes money to others and it must be included in financial statements.
<b>Long Term Investments</b>	These are investments intended to be held for use on a continuing basis in the activities of the authority. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.
<b>Materiality</b>	This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.
<b>Minimum Revenue Provision</b>	The minimum amount which must be charged to the revenue account each year for the repayment of borrowing.
<b>National Non-Domestic Rate (NNDR)</b>	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.
<b>Non-Operational Assets</b>	Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.
<b>Operating Lease</b>	A lease whereby the ownership of the fixed asset remains with the lessor.
<b>Operational Assets</b>	Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

<b>Post Balance Sheet Event</b>	These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue.
<b>Precept</b>	The levy made by Precepting authorities on billing authorities. The major precepting authorities are County Councils and Police Authorities. Parish Councils also raise money by means of a precept on the relevant billing authority.
<b>Prior Period Adjustments</b>	These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
<b>Provision</b>	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.
<b>Prudence</b>	This is one of the main accounting concepts. It ensures that an organisation only includes income in its accounts if it is sure it will receive the money.
<b>Prudential Code</b>	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
<b>Rateable Value</b>	The annual assumed rental value of a property that is used for business purposes.
<b>Related Parties</b>	Two or more parties are related parties when at any time during the financial period:- <ul style="list-style-type: none"> <li>• One party has direct or indirect control of the other party</li> <li>• The parties are subject to common control from the same source</li> <li>• One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests</li> <li>• The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests</li> </ul>
<b>Related Party Transactions</b>	The transfer of assets, liabilities or services between the Council and its related parties irrespective of whether a charge is made.
<b>Reserves</b>	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
<b>Residual Value</b>	This is the net realisable value of an asset at the end of its useful life.
<b>Revaluation Reserve</b>	An account containing any unrecognised gains or losses arising from the revaluation of fixed assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Income and Expenditure Account once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
<b>Revenue Expenditure</b>	The day to day expenses associate with the provision of services.

<b>Revenue Expenditure funded from Capital under Statute (formerly Deferred Charges)</b>	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example would be capital expenditure on improvement grants.
<b>Revenue Support Grant</b>	A grant paid by the Government to councils, contributing towards the costs of their services.
<b>Statement of the Movement on the General Fund/Housing Revenue Account Balance</b>	Reconciliation between the Income and Expenditure Account and the General Fund or Housing Revenue Account to show the effect of spending against Council Tax or Housing Rents raised.
<b>Statement of Total Recognised Gains and Losses</b>	A statement which brings together all the gains and losses of the Council in the year and shows the aggregate increase in its net worth. Together with notes to the accounts showing the movements on reserves, replaces the former Statement of Total Movement on Reserves.
<b>Stocks and Work in Progress</b>	These comprise of one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.
<b>Supplementary Financial Statements</b>	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
<b>Temporary Investment</b>	Money invested for a period of less than one year.
<b>Trust Funds</b>	Funds administered by the Council for such purposes as prizes, charities and specific projects usually as a result of individual legacies and donations.
<b>UK GAAP</b>	Accounting practices regarded as permissible the UK accounting profession that are grouped together under the term 'generally accepted accounting principles'.
<b>Useful Life</b>	This is the period over which an organisation will derive benefits from the use of a fixed asset.
<b>Work in Progress</b>	The value of works that has been completed or is partially complete at the end of the accounting period that should be included in the financial statements.



## CONTACT DETAILS

### Contact us...

If you have any questions on these Financial Statements or require further copies, please contact the Council as follows:

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