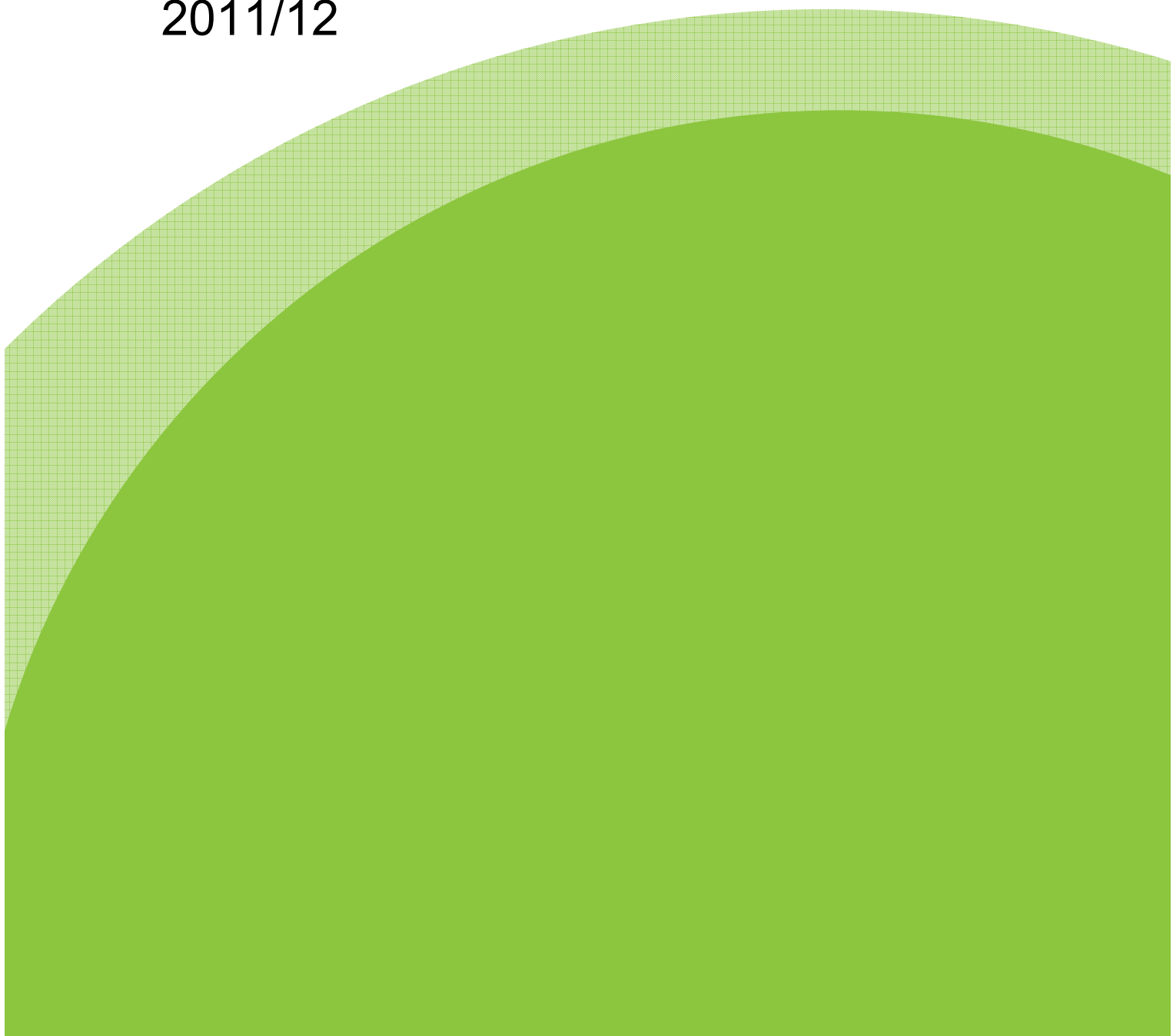


**APPENDIX A**

# **Annual Statement of Accounts**

Central Bedfordshire Council  
2011/12



# CENTRAL BEDFORDSHIRE COUNCIL

## STATEMENT OF ACCOUNTS 2011/12

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## EXPLANATORY FOREWORD

### Introduction to the Statement of Accounts – Charles Warboys 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 2011/12.

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

2011/12 represented the second year of International Financial Reporting Standards (IFRS) implementation. Local government bodies have adopted IFRS and the 2011/12 accounts have been produced on this basis, as defined by the CIPFA Code of Practice.

### **Our Key Priorities**

During 2011/12 key priorities have been:

- 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 which are now being refreshed, 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 for all authorities and at Central Bedfordshire we have continued our programme to operate more efficiently and, wherever possible, to protect front line services.

During 2010 the government announced significant cuts to councils' funding, and Central Bedfordshire's 2012/13 budget incorporates savings totalling £11.3m. The Medium Term Financial Plan (MTFP) covering the period up to 2016 envisages £38m of efficiency savings over the period.

In 2011/12, the Council has delivered its savings targets of £19.3m and made progress towards achieving the minimal level of General Fund reserves we consider necessary. Whilst write offs have been made in year in respect to local taxation, collection rates continue to be strong and improving with 97.9% for Council Tax and 98.7% for NNDR for 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 by the financial regulations, the supporting notes are aimed at providing a more straightforward explanation of the often complicated Local Government financial arrangements.

.....

**Charles Warboys**  
**Chief Finance Officer**

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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 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.

b) **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.

c) **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.

d) **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.

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

f) **The Housing Revenue Account Income and Expenditure Statement and Movement on HRA Statement** (page 91), which summarises the transactions in the year in respect of the provision of Council housing.

g) **The Collection Fund** (page 96), 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.

h) **The Statement of Responsibilities for the Statement of Accounts** (page 99), which sets out the responsibilities of both the Council and its responsible Finance Officer for the preparation of the accounts.

3. The Revenue Outturn Position:

The net revenue budget for 2011/12 was set at £181,249k (£177,028k 2010/11). At 31 March 2012, the net revenue outturn for the year was £180,755k (£176,701k 2010/11): this is an under spend in the year of £494k (£328k under spend 2010/11). These movements are analysed in Note 28 to the accounts.

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

Directorate	Approved Budget	Outturn including transfers to / from reserves	Variance
	£000	£000	£000
Social Care, Health and Housing	55,701	53,886	(1,815)
Children's Services	35,623	34,302	(1,320)
Sustainable Communities	50,669	49,775	(894)
Corporate Services	26,458	27,847	1,389
Contingency and Reserves	792	3,165	2,373
Corporate Costs	12,006	11,779	(227)
<b>Net expenditure on services</b>	<b>181,249</b>	<b>180,756</b>	<b>(494)</b>
<b>Sources of funding:</b>			
Formula Grant (RSG and NNDR)	50,582		
Council Tax	130,667		
<b>Total Grants &amp; local taxation</b>	<b>181,249</b>		

The year end balance on the General Fund has also been increased by £3,929k at 31<sup>st</sup> March 2012 (£1,827k increase 2010/11) in accordance with our Medium Term Financial Plan, and now stands at £10,919k. Contributions to earmarked reserves (excluding schools) equated to £6,435k (£1,516k 2010/11).

#### Social Care, Health and Housing

£1,815k under spend due predominantly to:

- £524k over spend on Adult Social Care- Older People packages with demand greater than expected
- £1,344k under spend on Commissioning Services, mainly due to efficiencies made against the Learning Disability & Public Health Reform Grant £659k and Mental Health contracts £422k
- £915k under spend on Business & Performance

#### Children's Services

£1,320k under spend due predominantly to:

- £957k over spend on Children's Service Operations, due to expensive specialist placements, increases in living care accommodation costs and agency workers covering qualified posts, ensuring an appropriately safe case load for each social worker
- £2,282k under spend on Learning, Commissioning and Partnerships, due to:
  - £975k from the Schools Forum contribution
  - £1,307k attributable to the review of transport budgets, one off discretionary spend and posts being held to allow for early implementation of efficiencies planned for 2012/13.

#### Sustainable Communities

The £894k under spend was generally due to staff vacancies and lower superannuation / pension costs than anticipated, with some higher than expected electricity, business rates, fuel and vehicle costs. One off savings of £129k from waste contracts and £67k savings on leisure operations contributed towards reduced outturn expenditure. Grant income was higher than expected by £409k, mainly due to the new Safer Communities Grant of £232k, although fee income from adult skills, learning, leisure and planning had a shortfall of £183k due to the effects of slower economic conditions.

## Corporate Services

£1,389k over spend predominantly due to:

- £280k under spend on Chief Executive Services, due to savings from an organisational restructure
- £376k under spend on People & Organisation, due to under spends within staff costs and better than anticipated income collection more than off-setting agency costs
- £2,044k over spend on Resources is mainly due to transfers to earmarked reserves, excluding this the service was only £100k overspent. The largest individual earmarked transfer is £1,080k to the Insurance reserve to cover potential future costs resulting from the MMI Supreme Court ruling in March 2012.

## Corporate Costs

There were no material variances recorded in Corporate Costs, the £227k under spend is due to a reduction in premature retirement costs.

## Contingency and Reserves

The Council has retained earmarked reserves of £18,526k (£12,091k 2010/11) 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	4,221	
Redundancy	3,329	
Service based	9,806	
Schools Contingency	900	
		<b>18,526</b>
<b>Balances not available to the Council General Fund</b>		
Schools	10,240	
		<b>10,240</b>
<b>Total</b>		<b>28,766</b>

#### 4. The Capital Outturn Position:

The capital programme outturn is £10,334k below the budget. The capital programme net budget was set at £33,908k for 2011/12 (£30,717k for 2010/11). The 2011/12 gross expenditure budget was £86,452k with external funding (grants and contributions) of £52,544k. The net outturn position for the year totalled £23,574k for 2011/12 (£21,556k for 2010/11). There are a number of factors contributing to the underspend for the year including extended tendering and procurement activity, delays in third parties approving grant applications and extended consultation activity. This is analysed across the services as follows:

	<b>BUDGET- Gross Expenditure</b>	<b>BUDGET- External Funding</b>	<b>Revised Full Year BUDGET</b>	<b>Actual net Spend</b>	<b>Variance</b>
<b>Directorate</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Social Care, Health and Housing	9,527	(6,153)	3,374	4,055	681
Children's Services	30,750	(27,985)	2,765	2,459	(306)
Sustainable Communities	31,655	(18,041)	13,614	7,301	(6,313)
Corporate Services	9,464	(365)	9,099	4,993	(4,106)
<b>Sub Total</b>	<b>81,396</b>	<b>(52,544)</b>	<b>28,852</b>	<b>18,808</b>	<b>(10,044)</b>
Housing Revenue Account	5,056	(0)	5,056	4,766	(290)
<b>Total</b>	<b>86,452</b>	<b>(52,544)</b>	<b>33,908</b>	<b>23,574</b>	<b>(10,334)</b>

There were no major / material asset acquisitions in 2011/12.

5. Capital Resources:

The Council spent £64m this year on capital expenditure. This was funded by applying the following resources:

- Capital Receipts - £3.7m ( £29.8m in 2010/11)
- Government Grants and Contributions - £45.6 m (£24.7m in 2010/11).
- Direct Revenue Funding - £1.3m (£1.5m in 2010/11)
- Minimum Revenue Provision £5.5m ( £7.0m in 2010/11)
- Borrowing £5.1m ( £12.0m repaid in 2010/11)
- Other £2.8m ( £0.2m in 2010/11)

During the year all capital receipts were applied to finance capital expenditure, therefore the council no longer holds any capital receipts (£2.6m in 2010/11).

The council was successful in its application to capitalise redundancy costs. The capitalisation directive agreed by the Department for Communities and Local Government equated to £1.992m (£0.4m in 2010/11). The Housing Revenue Account's capital programme is funded through the Major Repairs Allowance £3.8m (£3.7m in 2010/11), usable capital receipts £0.3m ( £1.6m in 2010/11) and revenue contribution £0.7m ( £0.8m in 2010/11).

A PFI credit of £1.86m, which will be the same for the lifetime of the project, 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 Central Bedfordshire.

6. Borrowing:

Within the Treasury Management Strategy, the Council approved an authorised borrowing limit for 2011/12 of £435m (£221m 2010/11). During the year the Council took out £164.995m additional borrowing for the Housing Revenue Account Settlement Payment Determination, see the Comprehensive Income and Expenditure Statement – Exceptional Item.

7. Investments:

The Council had investments / cash equivalents totalling £27.0m at 31 March 2012 (£45.6m at 31 March 2011). This represents the investment of surplus revenue and capital funds, which generated investment income of £1.1m in the year (£1.4m 2010/11), against a budget of £1.3m (£1.5m 2010/11).

The yield on investments reduced from last year to 1.61% (1.74% 2010/11). This is due to an increase in the level of internal resources utilised to fund capital expenditure and the length of the maturity of the investments being reduced due to the increased pressures in the financial markets.



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

	<b>£'000</b>
Internally Managed (investments and cash equivalents)	22,300
Externally Managed Lime fund	4,688
	<b>26,988</b>

8. Defined Benefit Pension Scheme:

The Council's share of the Local Government Pension Scheme, which is administered by Bedford Borough Council, stood at £249.6m at 31 March 2012 (£197.3m at 31 March 2011).

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

In the UK Budget Statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI), see the Comprehensive Income and Expenditure Statement – footnote 3.

9. Efficiencies:

The 2011/12 revenue outturn includes £19.3m of efficiencies which were achieved during the year. The following levels of saving were made in services as follows:

- £5.0m Children's Services
- £5.0m Corporate Services
- £4.8m Social Care, Health and Housing
- £4.0m Sustainable Communities.

The major efficiency savings (over £500k) that were achieved are as follows:

- £1.898m Remodel Youth Centre
- £1.130m Commissioned services- residential and nursing care
- £1.054m Transport
- £0.915m Reduction of posts at Head of Service level
- £0.890m Employee terms and conditions
- £0.522m Commissioned services- renegotiation of high cost disability placements
- £0.515m Procurement.

Most savings are individually below £500k.

10. Housing Revenue Account (HRA):

The balance on the Housing Revenue Account (HRA) has increased by £162k during the year (£482k reduction 2010/11). The main reason is reduced capital expenditure funded by revenue from £835k in 2010/11 to £664k in 2011/12, a difference of £171k. The HRA is set at a nil net budget as income from housing rental funds the related expenditure.

11. Council Tax Collection:

The collectable amount in respect of 2011/12 Council Tax was £142m. The Council achieved a collection rate of 97.9% (97.6% 2010/11).

Council Tax arrears amounted to £10.3m as at 31 March 2012 (£10.2m as at 31 March 2011). £4.6m of these arrears relate to 2011/12 billing which is expected to be substantially collected during 2012/13.

12. Provisions:

The Council holds £3.7m of provisions as at 31<sup>st</sup> March 2012 (£3.9m 2010/11). Details of the provisions are set out in note 22 of the accounts. The most significant provision maintained by the Council is the Insurance provision as recommended by the Council's advisers. The Insurance Provision which includes liabilities managed on behalf of Bedford Borough Council, stood at £2.8m as at 31<sup>st</sup> March 2012 (£3.3m 2010/11).

13. Material charges / Credits:

The Comprehensive Income and Expenditure Statement include a £145k debit within the Non-Distributed Costs line (£63m credit 2010/11). This is in respect of negative Past Service Costs related to the Council.

HRA self financing occurred at the end of 2011/12, note 5 outlines the Council's payment to the Secretary of State for this one off action was £164.995m.

## 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 is 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 2011/12</u>	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Major Repairs £'000	Schools £'000	Usable Total £'000
<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>
<b>Movement in Reserves during 2011/12:</b>									
(Surplus)/deficit on provision of services	123,587	0	152,974	0	0	0	0	0	276,561
Other Comprehensive I&E	(466)	0	0	0	0	0	0	0	(466)
<b>Total Comprehensive I&amp;E</b>	<b>123,121</b>	<b>0</b>	<b>152,974</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>276,095</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(133,485)	0	(153,090)	0	2,568	0	0	1,092	(282,915)
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(10,364)</b>	<b>0</b>	<b>(116)</b>	<b>0</b>	<b>2,568</b>	<b>0</b>	<b>0</b>	<b>1,092</b>	<b>(6,820)</b>
Transfers (to)/from Earmarked Reserves (note 8)	6,435	(6,435)	(46)	46	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(3,929)</b>	<b>(6,435)</b>	<b>(162)</b>	<b>46</b>	<b>2,568</b>	<b>0</b>	<b>0</b>	<b>1,092</b>	<b>(6,820)</b>
<b>Balance @ 31st March 2012</b>	<b>(10,919)</b>	<b>(18,526)</b>	<b>(3,905)</b>	<b>0</b>	<b>0</b>	<b>(1,480)</b>	<b>(200)</b>	<b>(10,240)</b>	<b>(45,270)</b>

<u>Unusable 2011/12</u>	Revaluation £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment a/c £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Single Status £'000	Short term Accumulated Absence £'000	Unusable Total £'000	GRAND Total £'000
<b>Balance @ 31st March 2011</b>	<b>(50,019)</b>	<b>398</b>	<b>197,283</b>	<b>(828,163)</b>	<b>(72)</b>	<b>2,065</b>	<b>1,292</b>	<b>0</b>	<b>5,687</b>	<b>(671,530)</b>	<b>(709,978)</b>
<b>Movement in Reserves during 2011/12:</b>											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	276,561
Other Comprehensive I&E	(9,283)	(243)	53,887	0	0	0	0	0	0	44,363	43,895
<b>Total Comprehensive I&amp;E</b>	<b>(9,283)</b>	<b>(243)</b>	<b>53,887</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,363</b>	<b>320,456</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	14,350	157	(1,550)	267,162	0	(116)	288	0	2,622	282,915	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>5,067</b>	<b>(86)</b>	<b>52,337</b>	<b>267,162</b>	<b>0</b>	<b>(116)</b>	<b>288</b>	<b>0</b>	<b>2,622</b>	<b>327,276</b>	<b>320,456</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>5,067</b>	<b>(86)</b>	<b>52,337</b>	<b>267,162</b>	<b>0</b>	<b>(116)</b>	<b>288</b>	<b>0</b>	<b>2,622</b>	<b>327,276</b>	<b>320,456</b>
<b>Balance @ 31st March 2012</b>	<b>(44,952)</b>	<b>312</b>	<b>249,620</b>	<b>(561,001)</b>	<b>(72)</b>	<b>1,949</b>	<b>1,581</b>	<b>0</b>	<b>8,309</b>	<b>(344,254)</b>	<b>(389,524)</b>

<b>Usable 2010/11</b>	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Major Repairs £'000	Schools £'000	Usable Total £'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	(31,480)	0	36,282	0	0	0	0	0	4,802
Other Comprehensive I&E	2,828	0	0	0	0	0	0	0	2,828
<b>Total Comprehensive I&amp;E</b>	<b>(28,652)</b>	<b>0</b>	<b>36,282</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,630</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	25,309	0	(35,787)	0	28,374	(1,480)	0	(2,304)	14,112
<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>

<b>Unusable 2010/11</b>	Revaluation £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment a/c £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Single Status £'000	Short term Accumulated Absence £'000	Unusable Total £'000	<b>GRAND Total £'000</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>
<b>Movement in Reserves during 2010/11:</b>											
(Surplus)/deficit on provision of services	0	0	0	0	0	0	0	0	0	0	4,802
Other Comprehensive I&E	(9,779)	(359)	(73,200)	0	0	0	0	0	0	(83,338)	(80,510)
<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>(75,708)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	2,923	342	(55,874)	42,596	0	(440)	1,292	(2,625)	(2,326)	(14,112)	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(6,856)</b>	<b>(17)</b>	<b>(129,074)</b>	<b>42,596</b>	<b>0</b>	<b>(440)</b>	<b>1,292</b>	<b>(2,625)</b>	<b>(2,326)</b>	<b>(97,450)</b>	<b>(75,708)</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>42,596</b>	<b>0</b>	<b>(440)</b>	<b>1,292</b>	<b>(2,625)</b>	<b>(2,326)</b>	<b>(97,450)</b>	<b>(75,708)</b>
<b>Balance @ 31st March 2011</b>	<b>(50,019)</b>	<b>398</b>	<b>197,283</b>	<b>(828,163)</b>	<b>(72)</b>	<b>2,065</b>	<b>1,292</b>	<b>0</b>	<b>5,687</b>	<b>(671,530)</b>	<b>(709,977)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11 Re-stated <sup>1</sup>			2011/12		
<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>					
85,193	(78,426)	6,767	86,712	(81,849)	4,863
0	(0)	0	0	(0)	0
11,121	(1,238)	9,883	11,787	(1,026)	10,761
25,351	(1,540)	23,811	25,447	(3,065)	22,382
15,978	(7,095)	8,883	18,552	(7,029)	11,523
320,730	(266,391)	54,339	268,487	(206,463)	62,024
26,516	(4,325)	22,191	26,937	(3,480)	23,457
63,340 <sup>2</sup>	(23,024)	40,316	12,565	(24,472)	(11,907)
-	-	-	164,995	0	164,995
10,231	(4,465)	5,766	9,370	(1,216)	8,154
92,785	(33,713)	59,072	87,656	(33,888)	53,768
5,776	(612)	5,164	4,594	(477)	4,117
(60,783) <sup>3</sup>	(1,501)	(62,284)	7,566 <sup>4</sup>	(685)	6,881
<b>596,238</b>	<b>(422,330)</b>	<b>173,908</b>	<b>724,668</b>	<b>(363,650)</b>	<b>361,018</b>
<b>Notes</b>					
<b>Other Operating Expenditure</b>					
		8,504		9	8,607
		672			673
		621			644
		33,082			141,517 <sup>5</sup>
		42,879			151,441
<b>Financing and Investment Income and expenditure</b>					
		5,718		10	5,703
		94			77
		919			1,724
		34,708			28,832
		(23,446)			(20,991)
		(1,393)			(1,125)
		(5,861)			(16,246)
		66			425
		(1,714)			(2,211)
		381			467
		9,472			(3,345)
		0			0
<b>(Surplus)/Deficit of Discontinued Operations</b>					

continued

<sup>1</sup> "Culture, Environmental, Regulatory & Planning Services" classification from the 2010/11 accounts, now split to three classifications: "Culture and related services", "Environmental and regulatory services" and "Planning services".

<sup>2</sup> Includes £41m debit from the change in DCLG Social Housing Factor percentage from 46% to 39% (regional percentage).

<sup>3</sup> Includes £62.8m credit from Pension Fund Actuary's report for "past service costs" related to the Council.

<sup>4</sup> Includes £0.1m debit from Pension Fund Actuary's report for "past service costs" related to the Council.

<sup>5</sup> Predominantly schools which have become academies in 2011/12 and therefore are no longer the Council's assets.

	<b>Taxation and Non-Specific Grant Income</b>	11	
(134,646)	Council Tax		(136,659)
(44,284)	National Non-Domestic Rates (NNDR)		(38,638)
(18,087)	Revenue Support Grant (RSG) and non-ring fenced government grants		(15,145)
(24,440)	Recognised capital grants and contributions		(42,111)
<u>(221,457)</u>			<u>(232,553)</u>
<u>4,802</u>	<b>(Surplus)/Deficit on Provision of Services</b>		<u>276,561</u>
	(Surplus)/deficit on revaluation of non-current assets:		
(14,181)	Revaluation gains		(15,705)
4,402	Revaluation losses (chargeable to Revaluation Reserve)		6,421
(359)	(Surplus)/deficit on revaluation of available for sale assets		(243)
(73,200)	Actuarial (gain)/losses on pensions asset/liabilities		53,887
2,828	Other		(466)
<u>(80,510)</u>	<b>Other Comprehensive Income and Expenditure Statement- (Surplus)/Deficit</b>		<u>43,894</u>
<u>(75,708)</u>	<b>Total Comprehensive Income and Expenditure Statement- (Surplus)/Deficit</b>		<u>320,455</u>

**BALANCE SHEET**

<u>1<sup>st</sup> April</u> <u>2010</u> <u>£'000</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2011</u> <u>£'000</u>		<u>Note</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2012</u> <u>£'000</u>	<u>31<sup>st</sup></u> <u>March</u> <u>2012</u> <u>£'000</u>
Restated	Restated	<b>Property, Plant &amp; Equipment</b>			
263,887	222,788	<sup>8</sup> Council Dwellings	12	230,200	
605,363	582,371	<sup>8</sup> Other Land and Buildings		443,164 <sup>6</sup>	
8,946	7,814	Vehicles, Plant, Furniture and Equipment		6,505	
146,270	156,096	Infrastructure Assets		160,090	
2,027	1,958	Community Assets		1,953	
30,246	30,467	Assets under Construction		41,905	
1,802	1,951	Surplus assets not held for sale		1,919	
77	37	Finance leases (CBC lessee)- Fleet vehicles	41	17	
0	1,121	Finance leases (CBC lessee)- Multi functional devices printers equipment	41	897	
<b>1,058,618</b>	<b>1,004,604</b>				<b>886,649</b>
		<b>Investment Properties</b>	13		
56,856	63,350	Investment Properties		79,264	
56,856	63,350				79,264
		<b>Intangible Assets</b>	14		
4,922	5,744	Software		6,650	
4,922	5,744				6,650
		<b>Long Term Investments</b>	15		
5,936	4,602	Non property investments		4,688	
5,936	4,602				4,688
		<b>Long Term Debtors</b>	15		
712	654	Long Term General Debtors (>1 year)		1,143	
712	654				1,143
<b>1,127,044</b>	<b>1,078,953</b>	<b>Long Term Assets</b>			<b>978,394</b>
54,737	41,000	Short Term Investments- principal	15	12,500	
708	536	Short Term Investments- interest	15	296	
660	855	Assets Held for Sale	20	2,961	
		<b>Inventories</b>	16		
46	48	Stocks and Works in Progress		0	
		<b>Short Term Debtors</b>	18		
56,435	63,392	General Debtors (<1 year)		55,620	
16,595	5,057	Cash and Cash Equivalents	19	45,679	
<b>129,181</b>	<b>110,888</b>	<b>Current Assets</b>			<b>117,056</b>

continued

<sup>6</sup> Significant decrease year on year is predominantly schools which have become academies in 2011/12 and therefore are no longer the Council's assets.

<sup>8</sup> Non HRA Other Land and Buildings have been split from the Council dwellings heading and restated for prior years.



(5,006)	(646)	Short Term Borrowing	15	(5,038)
		<u>Short Term Creditors</u>	21	
(68,992)	(57,993)	General Creditors (within one year)		(52,054)
(43)	(19)	Finance Leases Creditors (<1 year)- Fleet vehicles		(16)
0	(371)	Finance Leases Creditors (<1 year)- Multi functional devices printers equipment		(371)
(5,742)	(3,908)	Provisions	22	(3,713)
(8,013)	(5,687)	Provisions- accumulated absences		(8,309)
<b>(87,795)</b>	<b>(68,623)</b>	<b>Current Liabilities</b>		<b>(69,501)</b>
		<u>Long Term Creditors</u>	15	
(35)	(16)	Long Term Finance Leases Creditors (>1 year)- Fleet Vehicles		0
0	(560)	Long Term Finance Leases Creditors (>1 year)- Multi functional devices printers equipment		(355)
(19,716)	(18,453)	Private Finance Initiative (PFI)	42	(18,005)
(3,126)	0	Provisions	22	0
(154,183)	(153,621)	Long Term Borrowing <sup>7</sup>	15	(313,678)
		<u>Other Long Term Liabilities</u>	15	
(326,355)	(197,282)	Liability to Defined Benefit Pension Scheme		(249,620)
(11)	(34)	Investment funds		0
(30,733)	(41,274)	Capital Grants (receipts in advance)	38	(54,766)
<b>(534,158)</b>	<b>(411,240)</b>	<b>Long Term Liabilities</b>		<b>(636,424)</b>
<b>634,271</b>	<b>709,978</b>	<b>Net Assets</b>		<b>389,524</b>
		<u>Usable Reserves</u>	23	
(5,163)	(6,990)	General Fund (GF) Reserve		(10,919)
(10,574)	(12,091)	GF Earmarked Reserves		(18,526)
(4,223)	(3,742)	Housing Revenue Account (HRA) Balance		(3,905)
(60)	(46)	HRA Earmarked Reserves		0
(30,942)	(2,568)	Usable Capital Receipts Reserve		0
(0)	(1,480)	Capital Grants Unapplied		(1,480)
(200)	(200)	Major Repairs Reserve		(200)
(9,028)	(11,332)	Schools Reserve		(10,240)
(60,191)	(38,448)			(45,270)
		<u>Unusable Reserves</u>	24	
(43,163)	(50,019)	Revaluation Reserve		(44,952)
415	398	Available for Sale Fin. Instruments Reserve		312
(870,759)	(828,163)	Capital Adjustment Account		(561,001)
2,505	2,065	Financial Instruments Adjustment Account		1,949
326,356	197,283	Pension Reserve		249,620
(72)	(72)	Deferred Capital Receipts		(72)
(0)	1,292	Collection Fund Adjustment Account		1,581
2,625	0	Unequal Pay Back Pay Account (Single Status)		0
8,013	5,687	Short Term Accumulating Compensated Absences		8,309
(574,080)	(671,530)			(344,254)
<b>(634,271)</b>	<b>(709,978)</b>	<b>Total Reserves</b>		<b>(389,524)</b>

Balance sheet balances, as "Net Assets" is the inverse value of "Total Reserves".

<sup>7</sup> £164,995k additional long term borrowing taken on to facilitate the HRA's self financing during 2011/12.

## CASH FLOW STATEMENT

<u>2010/11</u>		<u>Note</u>	<u>2011/12</u>	<u>2011/12</u>
<u>£'000</u>			<u>£'000</u>	<u>£'000</u>
(4,802)	<u>Net surplus/(deficit) on the provision of services</u>	25		(276,561)
	<u>Adjustment net surplus/(deficit) on the provision of services for non-cash movements</u>			
24,385	- Depreciation and impairment	"	38,053	
55,873	- Pension fund adjustment	"	2,880	
(15,947)	- Other movements in General Fund	"	421,957	
6,129	- Repayment of loans	"	5,648	
667	- Revenue contribution to capital	"	624	
(4,960)	- Contributions to provisions	"	(195)	
(19,222)	- Contributions to capital reserves	"	(195,678)	
6,385	- Contributions to revenue reserves	"	5,297	
(2)	- (Increase)/decrease in stock	"	48	
(7,952)	- (Increase)/decrease in debtors	"	7,772	
(8,702)	- (Increase)/decrease in creditors	"	(3,807)	
36,654		"		282,599
	<u>Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities</u>			
4,765	- Interest and investment income	25	4,694	
(12,103)	- Revenue expenditure financed from capital under statute (REFCUS)	"	(23,890)	
(33,029)	- Gain/(loss) on disposal of assets	"	(141,517)	
(40,367)		"		(160,713)
<b>(8,515)</b>	<b>Net cash flows from operating activities- inflow/(outflow)</b>	"		<b>(154,675)</b>
	<u>Investing activities</u>			
(40,289)	- Purchase of Property, Plant & Equipment, investment properties and intangible assets	26	(41,799)	
1,497	- Purchase of short term and long term investments	"	1,177	
(5,456)	- Other payments for investing activities	"	(5,703)	
1,206	- Proceeds from the sale of Property, Plant & Equipment, investment properties and intangible assets	"	2,152	
32,375	- Capital grants	"	51,758	
13,909	- Proceeds from short term and long term investments	"	28,740	
3,242		"		36,325
	<u>Financing activities</u>			
6	- Other receipts from financing activities	27	9	
(704)	- Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	"	(448)	
(5,565)	- Repayments of short term and long term borrowing	"	159,411	
(2)	- Other	"	0	
(6,265)		"		158,972
<b>(11,538)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>40,622</b>
16,595	Cash and cash equivalents at 1st April			5,057
5,057	Bank current account and cash equivalents		45,679	
<b>5,057</b>	<b>Cash and cash equivalents at 31st March</b>	19		<b>45,679</b>

## NOTES TO THE STATEMENT OF ACCOUNTS

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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

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice (SeRCoP) 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts are prepared on an accruals and going concern basis.

### 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.

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenue from provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

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.

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. *Exceptions to these de-minimis levels include:*

- *where the number of transaction are immaterial individually but are material when combined together*
- *where there are legal requirements making materiality nil, such as trading accounts*
- *where the transactions relate to significant grant claims.*

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. This grant finished in 2010/11 and therefore no ABG is within the 2011/12 accounts.

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 overnight 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 (professional estimate)
  - Unquoted 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 Financing and Investment Income and 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 Financing and Investment Income and 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.

Exceptional Items - When items of income and expense are material, 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 understanding of the Council's financial performance.



## 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 Statement 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
- Schools do 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.

However, the soft loans currently given out by the Council are not material in value and are therefore accounted for by recording the outstanding amounts in the Balance Sheet (to reflect the cash advances made under the loan agreements) which are then reduced as repayments are made to the Council. These repayments are then accounted for in year, through the Comprehensive Income and Expenditure Statement.

#### iii) 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:

Attributable 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 entitlement or meeting of conditions 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, (Non-ring fenced grants and contributions) 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 with conditions 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 recognised in the Comprehensive Income and Expenditure Statement and then 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 (non-current) 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. There are no internally generated intangible assets on the Council's Balance Sheet.

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 if over £10k.

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

Material inventories are valued in the Balance Sheet at the lower of cost and net realisable value.

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
- 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. Leases where an asset is held solely for investment purposes and not to meet any Service objectives are categorised as Investment Properties in the Statement of Accounts

#### u) Non-current 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 complete within one year of the date of classification and action required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn, this 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. It is highly unlikely that such a circumstance would occur, due to the tenant's right to cancel the transaction up until actual exchange.

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 Service Reporting Code of Practice 2011/12 (SeRCOP).

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 and impairment losses chargeable on assets held for sale.

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.

The amounts payable to the PFI operators each year are analysed into 5 elements:

- Fair value of the services received during the year - debited to the relevant services in the Comprehensive Income and Expenditure Statement
- Finance costs - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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 and the cost can be reliably measured. 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 £2k but is expenditure necessary to bring asset into use, would be capitalised). For 2011/12, the following de-minimis levels have been set:

- Land and Property - £2,000
- Infrastructure - £2,000
- Community Assets - £2,000
- Plant and Equipment - £2,000
- Software - £2,000
- Vehicles - £ Nil.

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 – existing use value if non-specialised, depreciated replacement cost for specialised assets
- Infrastructure, community assets and vehicles, plant and equipment – depreciated historic cost and existing use value if non-specialised community assets
- Council housing – existing use value for social housing
- Surplus properties – (not held for sale) existing use value applying the same assumptions relating to level of usage etc as those of the most recent revaluation as an operational asset
- Assets under construction – historic cost until such time as the assets are commissioned.



Assets included in the Balance Sheet at existing use value or depreciated replacement cost 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. Unless reversing a previous revaluation loss, when the credit would go to the Comprehensive Income and Expenditure Statement.

### 3) Impairment / Revaluation Losses

A Material change and impairment review is carried out annually on the value of non-current assets carried within the Balance Sheet where there is evidence that this value may be excessive.

Impairment / revaluation 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 Usable 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, net of recent (current year and previous 3 financial years) capital expenditure on the property being sold.

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.

A Maximum of 4% of the capital receipt can be used for revenue costs.

## 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 2011/12, the Minimum Revenue Provision (MRP) charged to the Movement in Reserves Statement is equal to the following:

- 4% of the 1 April 2009 Capital Financing Requirement less Adjustment A, assets under construction and the PFI Finance Lease Liability
- 4% on 2009/10 capital expenditure funded by supported borrowing
- The 2009/10 and 2010/11 capital expenditure that has not been funded by grant, capital receipts, revenue contributions or supported borrowing, has to be identified by asset or asset group with the same useful life and MRP calculated on straight line over the useful life of the asset
- The 2011/12 PFI and Finance Lease liability redemption
- The 2009/10 and 2010/11 transfer of assets from Assets under Construction to operational assets that has not been funded by grant, capital receipts, revenue contributions or supported borrowing, has to be identified by asset or asset group with the same useful life and MRP calculated on straight line over the useful life of the operational asset.

## 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.

If applicable, 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.

## 9) Heritage Assets

Tangible and Intangible Heritage Assets are defined as assets that are primarily for increasing knowledge and culture in the local area, operational assets are not considered to be within the definition of heritage assets.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment, detailed in accounting policy 'x'.

The Council's Heritage Assets are held in various locations and are accounted for as follows:

- Art collections on display £5k (insurance estimate) and £28k for a pair of 19<sup>th</sup> century cast iron vases (insurance estimate)
- Civic regalia £10k (insurance estimate)
- Others £120k NBV (two church ruins, two castle ruins and a mausoleum).

Given the immaterial nature of these assets values, the Council has determined that disclosures for Heritage Assets are not necessary, therefore all assets will continue to be classified as they were before implementation of FRS30 Heritage Assets.

## 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 been 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 based on a variety of criteria, which broadly equates to £11m. This has been set on the basis of the Council being relatively new, with modest financial history. Whilst three 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.

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.

ab) 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 2010/11 and 2011/12:

- 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 2012- 20%.

ac) Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity, such as the Council's Pooled Budget arrangement. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and Income that it earns from the venture.

Ad) Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Council is required to participate in the CRC Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of

allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

It is anticipated that this issue may be immaterial for the Council when full implementation occurs. As the Council only came into existence on 01/04/2009 this has no affect during 2011/12 but will have implications in subsequent years.

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

For 2011/12, the only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).

FRS30 Heritage Assets (previously Community Assets) are recognised as a separate class of asset for the first time in 2011/12 (see Note 12 for further details). Note 3 outlines that the Council has undertaken a detailed review of all potential heritage assets and given the immaterial nature of those meeting the criteria, decided to keep assets with original classifications, therefore not classify as heritage.

#### 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
- 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
- The Council undertook an exercise to justify that component accounting had no material effect on the financial statements. Different asset types were split into their component parts using professional advice and then applying their relevant component useful lives, the depreciation charge was recalculated including some sensitivity analysis. This confirmed that the effect on depreciation was not material. This exercise will be reviewed on a regular basis to assess if the impact on depreciation is still immaterial
- Heritage assets are a new classification brought in for 2011/12, due to the immaterial nature of these assets values (given a detailed exercise identifying all potential Heritage assets) the Council has determined that disclosures for Heritage Assets are not necessary, therefore all assets will continue to be classified as they were before implementation of FRS30 Heritage Assets
- The Council has entered into a number of lease arrangements both as lessee and lessor. Tests to determine the risk and rewards of these leases have been undertaken to determine the leases classification (finance or operating). Where leases are deemed finance leases by these tests but are immaterial in value, they have been accounted for as operating leases.

#### 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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
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 and potential revenue impact. If useful life overstated by 1 year, depreciation would increase by £2m.
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. A 1% increase in the bad debt provision would represent an increase of £19k.
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 and potential revenue impact. A 1% increase in the pension liability would represent an increase of £2.5m.
Others:		
• Accruals	• Actual amount differs from accrual estimate	If incorrect, effect is mis-statement of values on the Balance Sheet / HRA and potential revenue impact.
• 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 are carried at fair value based on a recently observed market price. Values are not included against Uncertainties where it is impractical to do so.

#### 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>2011/12</u>
<u>Disposals of Items of Property, Plant and Equipment:</u>		<u>£'000</u>
* Non-HRA property disposals	145 properties disposed in total	£141,471
* HRA property disposals	14 properties disposed in total	£390
<u>Disposals of Investments:</u>		
* All other investments mature, not disposed off.	-	-
<u>Reversals of Provisions:</u>		
* Legal cases / Injury & Damage / Other Provisions	No material reversed Legal provisions (note 22)	-
<u>Others:</u>		
* Fund HRA self-financing payment and loan for payment	-	£164,995

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

The Statement of Accounts were authorised for issue by the Chief Finance Officer (Section 151 Officer) on 24<sup>th</sup> September 2012. 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 2012, 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

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement 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.

##### General Fund Balance

The General Fund balance is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities, the balance is not available to be applied to funding HRA services.

##### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

##### Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the

application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

#### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

#### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.



2011/12	General Fund Balance £'000	HRA Balance £'000	Capital Receipt Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Schools £'000	Movement unusable Reserve £'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	(19,899)	(3,061)	-	-	-	-	22,959
* Revaluation losses on Property, Plant and Equipment	(7,693)	13,077	-	-	-	-	(5,384)
* Movement in the market value of investment properties	16,246	-	-	-	-	-	(16,246)
* Amortisation of intangible assets	(1,499)	-	-	-	-	-	1,499
* Capital grants and contributions applied	41,808	0	-	-	-	-	(41,808)
* Movement in Donated Assets Account	0	-	-	-	-	-	0
* Revenue expenditure funded from capital under statute	(23,890)	-	-	-	-	-	23,890
* 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	(143,671)	547	-	-	-	-	143,124
* HRA Self Financing Debt		(164,949)					164,949
<u>Insertion of items not debits / credits to the Comprehensive Income and Expenditure Statement:</u>							
* Statutory provision for the financing of capital investment	5,534	-	-	-	-	-	(5,534)
* Capital expenditure charged against the General Fund and HRA balances	624	664	-	-	-	-	(1,288)
* Application of grants to capital fin. of capital inv. charged to the General Fund and HRA balances	0	-	-	-	-	-	0
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure Statement	0	-	-	0	-	-	-
* Application of grants to capital financing transferred to the Capital Adjustment Account	0	-	-	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	914	0	(914)	-	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,482	-	-	-	(3,482)
* Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposal	0	-	0	-	-	-	0
* Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool	0	-	0	-	-	-	0
* Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	0	-	-	-	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	0	-	-	-	-	-	0
<u>Adjustment primarily involving the Major Repairs Reserve:</u>							
* Reversal of Major Repairs Allowance credit to the HRA	-	744	-	-	(744)	-	-
* Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	744	-	(744)
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>							
* Amounts by which finance costs charged to the Comprehensive Income and Expenditure	116	-	-	-	-	-	(116)

Statement are different from finance costs chargeable in the year in accordance with statutory req.							
<u>Adjustments primarily involving the Pensions Reserve:</u>							
* Reversal of items relating to retirement benefit debits / credits to the Comprehensive Income and Expenditure Statement	(14,586)	(1,263)	-	-	-	-	15,849
* Employer's pensions contributions and direct payments to pensioners payable in year	16,247	1,152	-	-	-	-	(17,399)
<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	(289)	-	-	-	-	-	289
<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	0	-	-	-	-	-	0
<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	(2,622)	-	-	-	-	-	2,622
<u>Other adjustments:</u>	(825)	0	0	0	0	1,092	(267)
<b>Total Adjustments:</b>	<b>(133,485)</b>	<b>(153,090)</b>	<b>2,568</b>	<b>0</b>	<b>0</b>	<b>1,092</b>	<b>282,915</b>

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	(19,703)	0	-	-	-	-	19,703
* Revaluation losses on Property, Plant and Equipment	(897)	(41,579)	-	-	-	-	42,476
* Movement in the market value of investment properties	5,861	-	-	-	-	-	(5,861)
* Amortisation of intangible assets	(1,658)	-	-	-	-	-	1,658
* Capital grants and contributions applied	21,004	-	-	-	-	-	(21,004)
* Movement in Donated Assets Account	-	-	-	-	-	-	-
* Revenue expenditure funded from capital under statute	(12,103)	-	-	-	-	-	12,103
* 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	(34,354)	429	-	-	-	-	33,924
<u>Insertion of items not debits/credits to the Comprehensive Income and Expenditure Statement:</u>							
* Statutory provision for the financing of capital investment	7,025	-	-	-	-	-	(7,025)
* Capital expenditure charged against the General Fund and HRA balances	667	835	-	-	-	-	(1,502)
* Application of grants to capital fin. of capital inv. charged to the General Fund and HRA balances	(690)	-	-	-	-	-	690
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
* Capital grants and contributions unapplied credit to the Comprehensive Income and Expenditure	770	-	-	(770)	-	-	-

Statement							
* Application of grants to capital financing transferred to the Capital Adjustment Account	710	-	-	(710)	-	-	-
<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	-	(2,083)	-	-	-	-
* Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	29,836	-	-	-	(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)	-	621	-	-	-	-
* Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	0	-	-	-	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	-	-	(684)	-	-
* Use of the Major Repairs Reserve to finance new capital expenditure	(684)	-	-	-	684	-	-
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>							
* Amounts 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	440	-	-	-	-	-	(440)
<u>Adjustments primarily involving the Pensions Reserve:</u>							
* Reversal of items relating to retirement benefit debits / credits to the Comprehensive Income and Expenditure Statement	35,173	2,596	-	-	-	-	(37,769)
* Employer's pensions contributions and direct payments to pensioners payable in year	16,871	1,234	-	-	-	-	(18,105)
<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	(1,292)	-	-	-	-	-	1,292
<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	2,625	-	-	-	-	-	(2,625)
<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	2,326	-	-	-	-	-	(2,326)
<u>Other adjustments:</u>	1,756	13	0	0	0	(2,304)	535
<b>Total Adjustments:</b>	<b>25,309</b>	<b>(35,787)</b>	<b>28,374</b>	<b>(1,480)</b>	<b>0</b>	<b>(2,304)</b>	<b>(14,112)</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 2011/12.

	<u>Balance</u> 31/03/2010 £'000	<u>Transfers</u> <u>out</u> 2010/11 £'000	<u>Transfers</u> <u>in</u> 2010/11 £'000	<u>Balance</u> 31/03/2011 £'000	<u>Transfers</u> <u>out</u> 2011/12 £'000	<u>Transfers</u> <u>in</u> 2011/12 £'000	<u>Balance</u> 31/03/2012 £'000
<b>General Fund: Restated</b>							
Insurance reserve	3,076	(16)	0	3,059	0	1,162	4,221
Redundancy / harmonisation reserve	163	(1,065)	3,019	2,117	(1,530)	2,742	3,329
DSG- various elements	0	0	0	0	0	964	964
School specific contingency	874	0	188	1,062	(162)	0	900
Step up and down	0	0	0	0	0	674	674
Learning Difficulties Campus closure	0	0	744	744	(143)	0	601
Joint Working (formerly Winter pressure & Re-ablement)	0	(231)	801	570	0	0	570
Deregistration of care homes	583	0	0	583	(17)	0	566
EIG - various elements	0	0	0	0	0	505	505
External funded regeneration reserve	492	0	0	492	0	0	492
Adaptation of open space	449	0	0	449	(16)	56	489
Disabled Facilities Grant	0	0	0	0	0	475	475
ICT Stability	0	0	0	0	0	450	450
Residential Futures & Commissioning Projects	0	0	0	0	0	347	347
Social Care Reform Grant	200	0	215	415	(84)	0	331
Supporting people	0	(92)	397	305	0	0	305
OFSTED recomm for admin & cont. Social Worker Support	0	0	0	0	0	300	300
OFSTED action plan	0	0	0	0	0	250	250
Working Together - new national guidance	0	0	0	0	0	200	200
Pre-application service	0	0	0	0	0	200	200
	<u>5,837</u>	<u>(1,404)</u>	<u>5,364</u>	<u>9,796</u>	<u>(1,952)</u>	<u>8,325</u>	<u>16,169</u>
Others below (£200k)	4,737	(3,935)	1,491	2,293	(1,541)	1,603	2,355
	<u>10,574</u>	<u>(5,339)</u>	<u>6,855</u>	<u>12,090</u>	<u>(3,493)</u>	<u>9,928</u>	<u>18,524</u>
<b>HRA:</b>							
Business process re-engineer	47	0	0	47	(47)	0	0
Choice based lettings	13	(13)	0	0	0	0	0
	<u>60</u>	<u>(13)</u>	<u>0</u>	<u>47</u>	<u>(47)</u>	<u>0</u>	<u>0</u>
<b>Grand Total</b>	<b>10,635</b>	<b>(5,353)</b>	<b>6,855</b>	<b>12,136</b>	<b>(3,539)</b>	<b>9,928</b>	<b>18,524</b>

### Note 9) Other Operating Expenditure

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Payments of precepts to Parishes	8,504	8,607
Levies payable	672	673
Payments to Housing Capital Receipts Government Pool	621	644
(Gain)/loss on Disposal of Fixed Assets - non-current tangible	33,082	141,517
(Gain)/loss on Disposal of Fixed Assets - intangibles	0	0
<b>Total</b>	<b>42,879</b>	<b>151,441</b>

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

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Interest payable on debt	5,718	5,703
Interest element of finance leases (lessee)	94	77
Interest payable on PFI unitary payments	919	1,724
Premium on early repayment of debt	0	0
Impairment of financial instruments	0	0
Pension interest costs	34,708	28,832
Expected return on pension assets	(23,446)	(20,991)
Interest and Investment Income	(1,393)	(1,125)
Interest received on finance leases (lessor)	0	0
Discount for early repayment of debt	0	0
Changes in fair value of investment properties	(5,861)	(16,246)
Gain/(loss) on disposals of investment properties	66	425
Dividends received	0	0
Gain/(loss) on trading accounts (n/a to a service)	0	0
Rentals received on investment properties	(1,714)	(2,211)
Expenses incurred on investment properties	381	467
<b>Total</b>	<b>9,472</b>	<b>(3,345)</b>

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

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Council Tax income	(134,646)	(136,659)
National Non-Domestic Rates (NNDR)	(44,284)	(38,638)
Revenue Support Grant (RSG) and non-ring fenced government grants	(18,087)	(15,145)
Recognised capital grants and contributions	(24,440)	(42,111)
Non-service related government grants	0	0
<b>Total</b>	<b>(221,457)</b>	<b>(232,553)</b>

Note 12) Property, Plant and Equipment: Movements on balances

2011/12	<u>Council Dwellings (HRA)</u>	<u>Other Land &amp; Buildings (HRA)</u>	<u>Other Land &amp; Buildings (non-HRA)</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 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>£'000</u>	<u>£'000</u>
<b>Cost or valuation:</b>												
At 1st April 2011	<b>222,788</b>	<b>75,013</b>	<b>528,514</b>	<b>17,590</b>	<b>1,121</b>	<b>417</b>	<b>186,995</b>	<b>1,961</b>	<b>1,997</b>	<b>30,466</b>	<b>1,066,863</b>	<b>0</b>
Additions	4,766	0	9,929	1,216	0	0	10,421	0	0	13,028	39,360	0
Donations	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation inc/(dec) rec in Revaluation Reserve	(1,731)	407	10,609	0	0	0	0	0	0	0	9,285	0
Revaluation inc/(dec) rec in surplus/deficit on provision of services	7,037	2,978	(7,693)	0	0	0	0	0	0	0	2,322	0
De-recognition - disposals	(394)	0	(145,637)	(509)	0	0	0	(5)	0	0	(146,545)	0
De-recognition - other	0	0	0	0	0	0	0	0	0	(1,243)	(1,243)	0
Assets reclass (to)/from Assets under Construction	0	0	225	0	0	0	121	0	0	(346)	0	0
Assets reclassified (to)/from Investment Properties	0	0	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Surplus Assets	0	0	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	(2,532)	0	0	0	0	0	0	0	(2,532)	0
Accumulated depreciation w/o due to revaluation	(2,266)	(840)	0	0	0	0	0	0	0	0	(3,106)	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0	0	0
<b>As at 31st March 2012</b>	<b>230,200</b>	<b>77,558</b>	<b>393,415</b>	<b>18,297</b>	<b>1,121</b>	<b>417</b>	<b>197,537</b>	<b>1,956</b>	<b>1,997</b>	<b>41,905</b>	<b>964,403</b>	<b>0</b>
<b>Accumulated depreciation and impairment:</b>												
At 1st April 2011	<b>0</b>	<b>(94)</b>	<b>(21,062)</b>	<b>(9,776)</b>	<b>0</b>	<b>(380)</b>	<b>(30,899)</b>	<b>(3)</b>	<b>(45)</b>	<b>0</b>	<b>(62,259)</b>	<b>0</b>
Depreciation charge in year	(2,266)	(795)	(10,960)	(2,113)	(224)	(20)	(6,548)	0	(33)	0	(22,960)	0
Dep w/o to the Revaluation Reserve	2,266	840	0	0	0	0	0	0	0	0	3,106	0
Dep w/o to the surplus/deficit on prov of services	0	0	0	0	0	0	0	0	0	0	0	0
Impairment loss/(reversal) rec in Revaluation Res	0	0	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	0	0
De-recognition - disposals	0	0	4,166	97	0	0	0	0	0	0	4,263	0
De-recognition - other	0	0	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Properties	0	0	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Surplus Assets	0	0	0	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	96	0	0	0	0	0	0	0	96	0
Accumulated depreciation w/o due to revaluation	0	0	0	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0	0	0	0
<b>As at 31st March 2012</b>	<b>0</b>	<b>(49)</b>	<b>(27,760)</b>	<b>(11,792)</b>	<b>(224)</b>	<b>(400)</b>	<b>(37,447)</b>	<b>(3)</b>	<b>(78)</b>	<b>0</b>	<b>(77,754)</b>	<b>0</b>
<b>Net book value:</b>												
at 31st March 2011	222,788	74,919	507,452	7,814	1,121	37	156,096	1,958	1,953	30,466	1,004,604	0
<b>at 31st March 2012</b>	<b>230,200</b>	<b>77,509</b>	<b>365,655</b>	<b>6,505</b>	<b>897</b>	<b>17</b>	<b>160,090</b>	<b>1,953</b>	<b>1,919</b>	<b>41,905</b>	<b>886,649</b>	<b>0</b>

2010/11 Restated	<u>Council Dwellings (HRA)</u>	<u>Other Land &amp; Buildings (HRA)</u>	<u>Other Land &amp; Buildings (non-HRA)</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 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>£'000</u>	<u>£'000</u>
<u>Cost or valuation:</u>												
At 1st April 2010	263,887	75,772	543,545	18,168	0	417	171,068	2,030	1,820	30,246	<b>1,106,954</b>	687
Additions	5,806	365	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	0	<b>0</b>	0
Revaluation inc/(dec) rec in Revaluation Reserve	(2,966)	(179)	12,922	0	0	0	0	0	1	0	<b>9,778</b>	0
Revaluation inc/(dec) rec in surplus/deficit on provision of services	(41,391)	(188)	(922)	0	0	0	0	0	25	0	<b>(42,476)</b>	0
De-recognition - disposals	(452)	0	(32,900)	(3,160)	0	0	0	0	0	(605)	<b>(37,117)</b>	0
De-recognition - other	0	0	0	0	0	0	0	0	0	0	<b>0</b>	(687)
Assets reclass (to)/from Assets under Construction	0	0	1,987	306	0	0	5,479	0	145	(9,026)	<b>(1,109)</b>	0
Assets reclassified (to)/from Investment Properties	0	0	(746)	0	0	0	0	(69)	0	0	<b>(815)</b>	0
Assets reclassified (to)/from Surplus Assets	139	0	0	0	0	0	0	0	(139)	0	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	0	0	(539)	0	0	0	0	0	0	0	<b>(539)</b>	0
Accumulated depreciation w/o due to revaluation	(2,236)	(757)	(3,007)	0	0	0	0	0	0	0	<b>(6,000)</b>	0
Other movements in cost or valuation	1	0	(13)	0	0	0	0	0	0	(731)	<b>(743)</b>	0
<b>As at 31st March 2011</b>	<b>222,788</b>	<b>75,013</b>	<b>528,514</b>	<b>17,590</b>	<b>1,121</b>	<b>417</b>	<b>186,995</b>	<b>1,961</b>	<b>1,997</b>	<b>30,466</b>	<b>1,066,863</b>	<b>0</b>
<u>Accumulated depreciation and impairment:</u>												
At 1st April 2010	0	(66)	(13,888)	(9,223)	0	(340)	(24,798)	(3)	(19)	0	<b>(48,337)</b>	(687)
Depreciation charge in year	(2,239)	(785)	(11,371)	(2,164)	0	(40)	(6,101)	0	(27)	0	<b>(22,727)</b>	0
Dep w/o to the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Dep w/o to the surplus/deficit on prov of services	0	0	0	0	0	0	0	0	0	0	<b>0</b>	0
Impairment loss/(reversal) rec in Revaluation Res	0	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	0	<b>0</b>	0
De-recognition - disposals	5	0	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	0	<b>0</b>	687
Assets reclassified (to)/from Investment Properties	0	0	4	0	0	0	0	0	0	0	<b>4</b>	0
Assets reclassified (to)/from Surplus Assets	(2)	0	0	0	0	0	0	0	2	0	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	0	0	14	0	0	0	0	0	0	0	<b>14</b>	0
Accumulated depreciation w/o due to revaluation	2,236	757	3,007	0	0	0	0	0	0	0	<b>6,000</b>	0
Other movements in depreciation and impairment	0	0	(36)	0	0	0	0	0	(1)	0	<b>(37)</b>	0
<b>As at 31st March 2011</b>	<b>0</b>	<b>(94)</b>	<b>(21,062)</b>	<b>(9,776)</b>	<b>0</b>	<b>(380)</b>	<b>(30,899)</b>	<b>(3)</b>	<b>(45)</b>	<b>0</b>	<b>(62,259)</b>	<b>0</b>
<u>Net book value:</u>												
at 31st March 2010	263,887	75,706	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>222,788</b>	<b>74,919</b>	<b>507,452</b>	<b>7,814</b>	<b>1,121</b>	<b>37</b>	<b>156,096</b>	<b>1,958</b>	<b>1,953</b>	<b>30,466</b>	<b>1,004,604</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 2012, 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 £9.163m, similar commitments at 31 March 2011 were £9.883m. The major commitments are:

- A5/M1 link road- £1.534m
- All Saints Academy- £7.100m
- Queensbury Upper School window replacement- £0.529m.

#### Effects of Changes in Estimates:

In 2011/12, the Council made no material change to its accounting estimates for Property, Plant and Equipment.

#### 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 2012. 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 (RICS).

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 (HRA)</u>	<u>Other Land &amp; Buildings (HRA)</u>	<u>Other Land &amp; Buildings (non-HRA)</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>	<u>£'000</u>
Carried at historical costs	0	0	0	6,505	897	17	160,090	1,953	0	0	169,461
Valued at fair value as at:											
* 31 <sup>st</sup> March 2012	230,200	77,509	365,655	0	0	0	0	0	1,919	41,905	717,188
* 31 <sup>st</sup> March 2011	222,051	74,919	113,511	0	0	0	0	0	1,953	30,466	442,900
* 31 <sup>st</sup> March 2010	737	0	393,941	0	0	0	0	0	0	0	394,678
<b>Total cost or valuation</b>	<b>230,200</b>	<b>77,509</b>	<b>365,655</b>	<b>6,505</b>	<b>897</b>	<b>17</b>	<b>160,090</b>	<b>1,953</b>	<b>1,919</b>	<b>41,905</b>	<b>886,649</b>

#### Heritage Assets:

The Council's Heritage Assets are held in various locations and are accounted for as follows:

- Art collections on display £5k (insurance estimate) and £28k for a pair of 19<sup>th</sup> century cast iron vases (insurance estimate)
- Civic regalia £10k (insurance estimate)
- Others £120k NBV (two church ruins, two castle ruins and a mausoleum).

Given the immaterial nature of these assets values, the Council has determined that disclosures for Heritage Assets are not necessary, therefore all assets will continue to be classified as they were before implementation of FRS30 Heritage Assets.

#### 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Rentals received on investment properties	(1,714)	(2,211)
Direct operating expenses arising from investment properties	381	467
<b>Net (gain)/loss for fair value adjustment</b>	<b>(1,333)</b>	<b>(1,744)</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 subsequent repairs, maintenance or enhancement.

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

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of the year	56,856	63,350
Additions:		
* Purchases	0	0
* Construction	0	0
* Subsequent expenditure	0	97
Disposals:	(178)	(429)
Net gain/(losses) from fair value adjustment	5,861	16,246
Transfers:		
* (To)/from inventories	0	0
* (To)/from property, plant and equipment	811	0
Other charges	0	0
<b>Balance at year end</b>	<b>63,350</b>	<b>79,264</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 £1,499k charged to revenue in 2011/12 (£1,658k 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.

The movement on Intangible Asset balances during the year is as follows:

	2010/11			2011/12		
	<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
<b>Balance at start of the year</b>						
* 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)
Net carrying amount at start of year	0	4,922	4,922	0	5,744	5,744
* Internal development	0	0	0	0	0	0
* Purchases	0	1,369	1,369	0	1,415	1,415
* From Assets under construction	0	1,111	1,111	0	1,024	1,024
* 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>						
Disposals	0	0	0	0	(34)	(34)
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	(1,658)	(1,658)	0	(1,499)	(1,499)
other charges	0	0	0	0	0	0
<b>Net carrying amount at the year end</b>	<b>0</b>	<b>5,744</b>	<b>5,744</b>	<b>0</b>	<b>6,650</b>	<b>6,650</b>
<u>Comprising:</u>						
* Gross carrying amounts	0	12,210	12,210	0	14,615	14,615
* Accumulated amortisation	0	(6,466)	(6,466)	0	(7,965)	(7,965)
	<b>0</b>	<b>5,744</b>	<b>5,744</b>	<b>0</b>	<b>6,650</b>	<b>6,650</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:

	2010/11		2011/12	
	<u>Long term</u> £'000	<u>Current</u> £'000	<u>Long term</u> £'000	<u>Current</u> £'000
<u>Investments:</u>				
Loans and receivables	4,602	41,536	4,688	12,796
Available for sale financial assets	398	0	312	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>5,000</b>	<b>41,536</b>	<b>5,000</b>	<b>12,796</b>
<u>Debtors:</u>				
Loans and receivables	654	43,435	1,143	40,232
Financial assets carried at contract amounts	0	0	0	0
<b>Total Debtors</b>	<b>654</b>	<b>43,435</b>	<b>1,143</b>	<b>40,232</b>
<u>Borrowings:</u>				
Financial liabilities at amortised cost	(153,621)	(646)	(313,678)	(5,038)
Financial liabilities at fair value through profit & loss	0	0	0	0
<b>Total Borrowing</b>	<b>(153,621)</b>	<b>(646)</b>	<b>(313,678)</b>	<b>(5,038)</b>
<u>Other long term liabilities:</u>				
PFI and finance lease liabilities	(18,453)	-	(18,005)	-
Liability related to defined benefit pension scheme	(197,282)	-	(249,620)	-
Investment funds	(34)	-	0	-
<b>Total other long term liabilities</b>	<b>(215,769)</b>	<b>-</b>	<b>(267,625)</b>	<b>-</b>
<u>Creditors:</u>				
Financial liabilities at amortised cost	0	-	0	-
Financial liabilities carried at contract amount	-	(56,281)	-	(51,137)
Finance Leases - fleet vehicles	(16)	(19)	0	(16)
Finance Leases - multi functional device printers	(560)	(371)	(355)	(371)
<b>Total creditors</b>	<b>(576)</b>	<b>(56,671)</b>	<b>(355)</b>	<b>(51,524)</b>
<b>Grand total</b>	<b>(364,313)</b>	<b>27,655</b>	<b>(575,515)</b>	<b>(3,534)</b>

Please note "trade" debtors / creditors are defined within the Council's Accounting Policies and are not the same as the Balance Sheet debtor / creditor definitions. "Trade" debtors / creditors exclude taxation, Council Tax, NNDR and any other part where no trading agreement exists.

Material soft loans made by the Council:

There are no material soft loans made by the Council in 2011/12, those loans that are deemed soft (travel loans, cycle loans etc) are immaterial.

Reclassifications:

In 2011/12, the Council did not re-classify any of its investments. For clarity "Other Land & Buildings" has been split into HRA and non-HRA parts.

Income, Expense, Gains and Losses:

2011/12	<u>Financial liabilities at amortised cost</u>	<u>Financial Asset loans &amp; received</u>	<u>Financial Assets available for sale</u>	<u>Assets/Liabilities at Fair Value through Profit &amp; Loss</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Interest expense	5,703	-	0	-	5,703
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	-	-	-	0	0
Fee expense	-	0	-	-	0
<b>Total expense in (surplus)/deficit on the provision of services</b>	<b>5,703</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,703</b>
Interest income	-	(882)	(243)	-	(1,125)
Interest income accrued on impaired financial asset	-	0	-	-	0
Increases in fair value	-	-	-	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>(882)</b>	<b>(243)</b>	<b>0</b>	<b>(1,125)</b>
Gain on revaluation	-	-	0	-	0
Losses on revaluation	-	-	0	-	0
Amounts recycled to the surplus/deficit on the provision of services after impairment	-	-	0	-	0
<b>(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>
<b>Net (gain)/loss for the year</b>	<b>5,703</b>	<b>(882)</b>	<b>(243)</b>	<b>0</b>	<b>4,578</b>

2010/11	<u>Financial liabilities at amortised cost</u>	<u>Financial Asset loans &amp; received</u>	<u>Financial Assets available for sale</u>	<u>Assets/Liabilities at Fair Value through Profit &amp; Loss</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Interest expense	5,718	-	0	-	5,718
Losses on de-recognition	0	0	0	0	0
Reduction in fair value	-	-	-	0	0
Fee expense	-	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	-	(1,035)	(306)	-	(1,341)
Interest income accrued on impaired financial asset	-	0	-	-	0
Increases in fair value	-	-	-	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)	-	(56)
Losses on revaluation	-	-	3	-	3
Amounts recycled to the surplus/deficit on the provision of services after impairment	-	-	0	-	0
<b>(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>-</b>	<b>(53)</b>	<b>-</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>4,324</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 using the PWLB premature repayment rates) calculated are as follows:

	<u>2010/11</u> <u>Carrying amount</u> <u>£'000</u>	<u>2010/11</u> <u>Fair Value</u> <u>£'000</u>	<u>2011/12</u> <u>Carrying amount</u> <u>£'000</u>	<u>2011/12</u> <u>Fair Value</u> <u>£'000</u>
Financial Liabilities	(155,540)	(161,563)	(320,022) <sup>8</sup>	(350,829)
Long term creditors	(576)	(576)	(355)	(355)

	<u>2010/11</u> <u>Carrying amount</u> <u>£'000</u>	<u>2010/11</u> <u>Fair Value</u> <u>£'000</u>	<u>2011/12</u> <u>Carrying amount</u> <u>£'000</u>	<u>2011/12</u> <u>Fair Value</u> <u>£'000</u>
Loans and receivables	46,138	46,138	17,484	17,484
Long term debtors	654	654	1,143	1,143

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.

The Council held £9.8m in a Call Account with Santander on 31 March 2012 which is included within Loans and Receivables above but excluded from the Financial Instruments table on page 52, as it is considered a Cash Equivalent.

## Note 16) Inventories

	<u>Consumable stores</u>		<u>Other</u>		<u>Total</u>	
	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Balance outstanding at start of year	46	48	0	0	46	48
Purchases	48	0	0	0	48	0
Recognised as an expense in year	(46)	(48)	0	0	(46)	(48)
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>48</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>0</b>

Inventories have been assessed as immaterial for 2011/12.

<sup>8</sup> (£5,038k) short term borrowing + (£313,678k) long term borrowing + (£1,306k) interest accrual = (£320,022k)

#### Note 17) Construction Contracts

At 31 March 2012 the Council had not undertaken any construction work as a contractor for its customers. The CIPFA Code of Practice on accounting requirements for construction contracts do not apply to assets under construction belonging to local authorities.

#### Note 18) Debtors

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	19,200	11,380
Other Local Authorities	9,262	6,308
NHS bodies	4,442	2,577
Public corporations and trading funds	6,549	3,453
Other entities and individuals *	26,226	34,844
Bad debt provisions	(2,287)	(2,942)
<b>Total</b>	<b>63,392</b>	<b>55,620</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Cash held by the Council	0	0
Bank current accounts	5,057	35,875
Cash equivalents - liquid short term investment (overnight)	0	9,804
Short term deposits with building societies	0	0
<b>Total Cash and Cash Equivalents</b>	<b>5,057</b>	<b>45,679</b>

The considerable year on year variance is due to:

- £20m more cash held on the Council's liquidity fund
- £8m more cash held on the Schools advances fund
- £9.8m new cash held in liquid short term investment overnight call account.

## Note 20) Assets Held for Sale

	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
	<u>2010/11</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	660	0	855	0
Assets newly classified as held for sale:				
* Property, Plant & Equipment	525	0	2,961	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	(525)	0
* Intangible assets	0	0	0	0
* Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(330)	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>855</b>	<b>0</b>	<b>2,961</b>	<b>0</b>

## Note 21) Creditors

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	(10,113)	(8,323)
Other Local Authorities	(17,214)	(13,088)
NHS bodies	(904)	(332)
Public corporations and trading funds	(20,363)	(7,443)
Other entities and individuals	(9,399)	(22,868)
Finance leases - fleet vehicles	(19)	(16)
Finance leases - multi functional devices printers	(371)	(371)
<b>Total</b>	<b>(58,383)</b>	<b>(52,441)</b>

## Note 22) Provisions

	<u>Outstanding</u>	<u>Insurance</u>	<u>Other</u>	<u>Total</u>
	<u>legal cases</u>	<u>Provision</u>	<u>provisions</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	(525)	(3,332)	(51)	(3,908)
Additional provisions made in year	(478)	(588)	(348)	(1,413)
Amounts used in year	234	997	51	1,282
Unused amounts reversed in year	235	92	0	327
Unwinding of discounting in year	0	0	0	0
<b>Balance outstanding at year end</b>	<b>(534)</b>	<b>(2,831)</b>	<b>(348)</b>	<b>(3,713)</b>

All provisions with a balance as at 31/03/2012 are considered short term provisions.

### Outstanding Legal Cases:

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

- Ongoing legal cases (details withheld for confidentiality purposes)
- Contractual claims
- Disputed charges.

### Insurance Provision:



The Council has a number of 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 Council for injury or damage compensation. They relate to personal injuries sustained where the Council is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Council will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. The Council 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 £100,000 excess
- Various cases have been lodged against the Council for alleged 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 Council'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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
General Fund Reserve	(6,990)	(10,919)
General Fund Earmarked Reserves	(12,090)	(18,526)
Housing Revenue Account Balance	(3,742)	(3,905)
HRA Earmarked Reserves	(46)	0
Usable Capital Receipts Reserve	(2,568)	0
Community Infrastructure Levy	0	0
Capital Grants Unapplied	(1,480)	(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	(11,332)	(10,240)
	<b>(38,448)</b>	<b>(45,270)</b>

## Note 24) Unusable Reserves

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

	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Revaluation Reserve (a)	(50,019)	(44,952)
Available for Sale Financial Instruments Reserve (b)	398	312
Capital Adjustment Account (c)	(828,163)	(561,001)
Financial Instruments Adjustment Account (d)	2,065	1,949
Pension Reserve (e)	197,282	249,620
Deferred Capital Receipts (f)	(72)	(72)
Collection Fund Adjustment Account (g)	1,292	1,581
Single Status Reserve / unequal pay (h)	0	0
Accumulating Compensated Absences Account (i)	5,687	8,309
	<b>(671,531)</b>	<b>(344,254)</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
- 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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Balance at start of year	(43,163)	(50,019)
Upward revaluation of assets	(14,181)	(15,704)
Downward revaluation of assets & impairment losses not charged to the (surplus) / deficit on the provision of services	4,402	6,421
(Surplus) / deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	(9,779)	(9,284)
Difference between fair value depreciation and historical cost depreciation	1,222	1,000
Accumulated gains on assets sold or scrapped	1,701	13,351
Amount written off to the Capital Adjustment Account	2,923	14,351
<b>Balance at year end</b>	<b>(50,019)</b>	<b>(44,952)</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	415	398
Upward revaluation of investments	65	13
Downward revaluation of investments not charged to the (surplus) / deficit on the provision of services	(82)	(99)
	<b>398</b>	<b>312</b>
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of other investment income	0	0
<b>Balance at year end</b>	<b>398</b>	<b>312</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at 1st April	(870,759)	(828,163)
Reversal of items relating to capital expenditure debits/credits to Comprehensive Income and Expenditure Statement:		
* Charges for depreciation and impairment of non-current assets	22,727	22,958
* Revaluation losses on Plant, Property & Equipment	42,476	13,594
* Amortisation of intangible assets	1,658	1,499
* Revenue expenditure funded from capital under statute	12,103	23,890
* 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	34,801	137,395
* HRA self financing		164,995
* Revaluations reversing previous revaluation losses		(15,761)
	<u>113,765</u>	<u>348,570</u>
Adjusting amounts written out of the Revaluation Reserve	(2,923)	(8,947)
Net written out amount of the cost of non-current assets consumed in the year	110,842	339,623
Capital financing applied in the year:		
* Use of Capital Receipts Reserve to finance new capital expenditure	(29,836)	(3,780)
* Use of the Major Repairs Reserve to finance new capital expenditure	(3,709)	(3,805)
* Capital grants and contribution's credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,004)	(41,808)
* Application of grants to capital financing of capital investment charged against the General Fund and HRA balances	690	0
* Statutory provision for the financial of capital investment charged against the General Fund and HRA balances	(7,024)	(5,534)
* Capital expenditure charged against the General Fund and HRA balances	(1,502)	(1,288)
	<u>(62,385)</u>	<u>(56,215)</u>
Movement in the market value of Investment Properties debits / credits to the Comprehensive Income and Expenditure Statement	(5,861)	(16,246)
Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	0	0
<b>Balance at 31st March</b>	<b>(828,163)</b>	<b>(561,001)</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	2,505	2,065
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(440)	(116)
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0	0
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	(440)	(116)
<b>Balance at year end</b>	<b>2,065</b>	<b>1,949</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	326,356	197,282
Actuarial gains or losses on pensions assets and liabilities	(73,200)	55,218
Reversal items relating to retirement benefits debited / credited to the (surplus) / deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(37,769)	14,519
Employers pensions contributions and direct payments to pensions payable in year	(18,105)	(17,399)
<b>Balance at year end</b>	<b>197,282</b>	<b>249,620</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	0	1,292
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	1,292	289
<b>Balance at year end</b>	<b>1,292</b>	<b>1,581</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 and is no longer required.

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	2,625	0
Increase in provision for back pay in relation to equal pay cases	(2,625)	0
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>0</b>	<b>0</b>
<b>Balance at year end</b>	<b>0</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at start of year	8,013	5,687
Settlement or cancellation of accrual made at the end of the preceding year	(8,013)	(5,687)
Amounts accrued at the end of the current year	5,687	8,309
<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>(2,326)</b>	<b>2,622</b>
<b>Balance at year end</b>	<b>5,687</b>	<b>8,309</b>

Note 25) Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Net surplus / (deficit) on the provision of services	(4,802)	(276,748)
- Depreciation and impairment	24,385	38,053
- Pension fund adjustment	55,873	2,880
- Other movements in the General Fund	(15,947)	422,144
- Repayment of loans	6,129	5,648
- Revenue contributions to capital	667	624
- Contributions to provisions	(4,960)	(195)
- Contributions to capital reserves	(19,222)	(195,678)
- Contributions to revenue reserves	6,385	5,297
- (Increase) / decrease in stock	(2)	48
- (Increase) / decrease in debtors	(7,952)	7,772
- (Increase) / decrease in creditors	(8,702)	(3,807)
	36,654	282,786
- Interest and investment income	4,765	4,694
- Revenue Funding Capital under Statute	(12,103)	(23,890)
- Gain / (loss) on disposal of assets	(33,029)	(141,517)
	(40,367)	(160,713)
<b>Net cash flows from operating activities</b>	<b>(8,515)</b>	<b>(154,675)</b>

#### Note 26) Cash Flow Statement - Investing Activities

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Purchase of property, plant and equipment, investment properties and intangible assets	(40,289)	(41,799)
Purchase of short term and long term investments	1,497	1,177
Other payments for investing activities	(5,456)	(5,703)
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	1,206	2,152
Capital grants	32,375	51,758
Proceeds from short term and long term investments	13,909	28,740
<b>Net cash flows from investing activities</b>	<b>3,242</b>	<b>36,325</b>

#### Note 27) Cash Flow Statement - Financing Activities

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Other receipts from financing activities	6	9
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	(704)	(448)
Repayments of short term and long term borrowing	(5,565)	159,411
Other payments for financing activities	(2)	0
<b>Net cash flows from financing activities</b>	<b>(6,265)</b>	<b>158,972</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 *Service Expenditure Reporting Code of Practice (SeRCoP)*. 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:

	Children's Services (includes schools)	Corporate Services <sup>9</sup>	Social Care, Health & Housing	Sustainable Communities	Total
	£'000	£'000	£'000	£'000	£'000
<b>2011/12</b>					
Directorate Net Budget	35,623	26,458	55,701	50,669	168,451
Corporate costs (including Contingency & Reserves)	-	-	-	-	12,798
<b>Total Net Budget</b>	-	-	-	-	<b>181,249</b>
Directorate income and expenditure:					
* Fees, charges & other service income	(157,205)	(89,046)	(59,745)	(12,371)	(318,367)
Total income	(157,205)	(89,046)	(59,745)	(12,371)	(318,367)
* Employee expenses	140,555	23,194	18,272	17,813	199,834
* Other service expenses	48,694	92,618	93,212	44,360	278,884
* transfers to and (from) reserves	2,259	1,082	2,147	(27)	5,461
Total expenditure	191,508	116,894	113,631	62,146	484,179
Net Directorate expenditure reported to management	34,303	27,848	53,886	49,775	165,812
Corporate costs (including Contingency & Reserves)	-	-	-	-	14,943
<b>Net expenditure reported to management</b>	-	-	-	-	<b>180,755</b>
<b>Variance reported to management</b>	-	-	-	-	<b>Surplus 494</b>
<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	(221,318)	(11,256)	(66,631)	(16,699)	(315,904)
Total income	(221,318)	(11,256)	(66,631)	(16,699)	(315,904)
* Employee expenses	167,920	25,798	18,726	21,364	233,808
* Other service expenses	86,366	14,860	98,474	40,817	240,517
Total expenditure	254,286	40,658	117,200	62,181	474,325
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>

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.

<sup>9</sup> Previously titled "Customer & shared services Office of the Chief Executive".



	<u>2010/11</u> £'000	<u>2011/12</u> £'000
Directorate analysis excluding recharges	148,515	155,564
Allocation of recharges (Directorate detail below)	28,186	25,191
Net expenditure in the Directorate analysis	176,701	180,755
Net expenditure of services and support services not included in the analysis	(2,193)	148,517
Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis (Directorate detail below)	(600)	31,746
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>173,908</b>	<b>361,018</b>

The majority of the £148,517k 'Net expenditure of services and support services not included in the analysis' is the £164,995k HRA self financing payment to the Secretary of State, see the Comprehensive Income and Expenditure Statement – Exceptional Item.

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

	<u>Children's 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>
	£'000	£'000	£'000	£'000	£'000
<b><u>2011/12</u></b>					
<u>Amounts in the Comprehensive Income and Expenditure Statement not referred to management in the Analysis:</u>					
* Depreciation, amortisation & impairment	12,455	6,428	8,518	10,495	<b>37,896</b>
* Pensions (current service cost / employers contributions / unfunded elements)	(1,630)	(1,053)	(1,936)	(1,676)	<b>(6,295)</b>
* Pensions (past service costs)	38	24	45	39	<b>145</b>
					<b>31,746</b>
<u>Allocation of recharges:</u>					
* Support Service recharges	(3,915)	(1,316)	(1,264)	(1,456)	(7,951)
* Support Service recharges	13,675	5,130	6,367	7,970	33,142
					<b>25,191</b>
<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>
* Pensions (current service cost / employers contributions / unfunded elements)	(1,768)	(203)	(1,536)	(1,187)	<b>(4,694)</b>
* Pensions (past service costs)	(23,641)	(2,714)	(20,539)	(15,872)	<b>(62,767)</b>
					<b>(600)</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
					<b>28,186</b>

Reconciliation to subjective analysis:

Please see the next page.

*: As per Comprehensive Income & Expenditure Statement	Directorate analysis	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)
**: As per Outturn Report to management	excluding recharges (A)								
<b>2011/12</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fee, charges & other service income	(86,265)	(7,951)	(94,216)	(4,189)	-	-	(98,405)	-	(98,405)
(Surplus) / deficit on associates & joint ventures	-	-	-	-	-	-	-	-	-
Interest & Investment Income (note 10)	-	-	-	-	-	-	-	(1,125)	(1,125)
Income from Council Tax (note 38)	-	-	-	-	-	-	-	(136,659)	(136,659)
Government grants and contributions (note 38)	(265,244)	-	(265,244)	-	-	-	(265,244)	(95,894)	(361,138)
Expected return on pension assets (note 10)	-	-	-	-	-	-	-	(20,991)	(20,991)
Investment properties value, expenses and rents	-	-	-	-	-	-	-	(17,565)	(17,565)
<b>Total Income</b>	<b>(351,509)</b>	<b>(7,951)</b>	<b>(359,460)</b>	<b>(4,189)</b>	<b>-</b>	<b>-</b>	<b>(363,650) *</b>	<b>(272,234)</b>	<b>(635,883)</b>
Employee expenses	243,639	-	243,639	-	-	-	243,639	-	243,639
Other service expenses	263,434	-	263,434	152,706	(6,150)	-	409,990	-	409,990
Support service recharges	-	33,142	33,142	-	-	-	33,142	-	33,142
Depreciation, amortisation and impairment	-	-	-	-	37,896	-	37,896	-	37,896
Interest payments (note 10)	-	-	-	-	-	-	-	7,504	7,504
Pension interest costs (note 10)	-	-	-	-	-	-	-	28,832	28,832
Precepts and Levies (note 9)	-	-	-	-	-	-	-	9,280	9,280
Payment to Housing Capital Receipts Pool (note 9)	-	-	-	-	-	-	-	644	644
Gain or loss on disposal of fixed assets (note 9)	-	-	-	-	-	-	-	141,517	141,517
<b>Total Expenditure</b>	<b>507,073</b>	<b>33,142</b>	<b>540,215</b>	<b>152,706</b>	<b>31,746</b>	<b>-</b>	<b>724,668 *</b>	<b>187,777</b>	<b>912,444</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>155,564</b>	<b>25,191</b>	<b>180,755 **</b>	<b>148,517</b>	<b>33,810</b>	<b>-</b>	<b>361,018 *</b>	<b>(84,457) *</b>	<b>276,561 *</b>
<b>2010/11</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fee, charges & other service income	(25,357)	(8,442)	(33,798)	(106,426)	-	-	(140,224)	-	(140,224)
(Surplus) / deficit on associates & joint ventures	-	-	-	-	-	-	-	-	-
Interest & Investment Income (note 10)	-	-	-	-	-	-	-	(1,393)	(1,393)
Income from Council Tax (note 38)	-	-	-	-	-	-	-	(134,646)	(134,646)
Government grants and contributions (note 38)	(282,106)	-	(282,106)	-	-	-	(282,106)	(86,811)	(368,917)
Expected return on pension assets (note 10)	-	-	-	-	-	-	-	(23,446)	(23,446)
Investment properties value, expenses and rents	-	-	-	-	-	-	-	(7,128)	(7,128)
<b>Total Income</b>	<b>(307,463)</b>	<b>(8,442)</b>	<b>(315,904)</b>	<b>(106,426)</b>	<b>-</b>	<b>-</b>	<b>(422,330) *</b>	<b>(253,424)</b>	<b>(675,754)</b>
Employee expenses	233,808	-	233,808	-	-	-	233,808	-	233,808
Other service expenses	222,169	-	222,169	104,233	(67,461)	-	258,941	-	258,941
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)	-	-	-	-	-	-	-	6,731	6,731
Pension interest costs (note 10)	-	-	-	-	-	-	-	34,708	34,708
Precepts and Levies (note 9)	-	-	-	-	-	-	-	9,176	9,176
Payment to Housing Capital Receipts Pool (note 9)	-	-	-	-	-	-	-	621	621
Gain or loss on disposal of fixed assets (note 9)	-	-	-	-	-	-	-	33,082	33,082
<b>Total Expenditure</b>	<b>455,977</b>	<b>36,628</b>	<b>492,605</b>	<b>104,233</b>	<b>(600)</b>	<b>-</b>	<b>596,238 *</b>	<b>84,318</b>	<b>680,556</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>148,515</b>	<b>28,186</b>	<b>176,701 **</b>	<b>(2,193)</b>	<b>(600)</b>	<b>-</b>	<b>173,908 *</b>	<b>(169,106) *</b>	<b>4,802 *</b>

## Note 29) Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2011/12.

## 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:

		2010/11		2011/12	
		£'000	£'000	£'000	£'000
<u>Car Parks:</u>					
Parking management aims to support the local economy and facilitate development growth within Central Bedfordshire area.	Turnover	(1,270)		(1,302)	
Cumulative spend over 3 years: £3,338k	Expenditure (Surplus)/deficit	1,158	(112)	1,128	(174)
<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	(1,508)		(1,371)	
Cumulative spend over 3 years: £4,131k	Expenditure (Surplus)/deficit	1,504	(3)	1,369	(2)
<u>Leighton Buzzard Theatre:</u>					
A theatre and cinema venue based in Leighton Buzzard.	Turnover	(168)		(172)	
Cumulative spend over 3 years: £1,024k	Expenditure (Surplus)/deficit	330	163	347	175
<u>Building Control:</u>					
The processing of building regulation applications, site inspections and related fee earning activities.	Turnover	(748)		(601)	
Cumulative spend over 3 years: £1,741k	Expenditure (Surplus)/deficit	644	(103)	555	(46)
<u>Industrial Units, Estates and Business Units:</u>					
Rental and other income, and expenditure relating to various industrial estates and business units.	Turnover	(507)		(781)	
Cumulative spend over 3 years: £705k	Expenditure (Surplus)/deficit	221	(287)	262	(519)
<u>Shops and Offices:</u>					
Rental and other income, and expenditure relating to various shops and offices.	Turnover	(635)		(618)	
Cumulative spend over 3 years: £225k	Expenditure (Surplus)/deficit	62	(574)	46	(572)
<u>Community Buildings:</u>					
Rental and other income, and expenditure relating to Beecroft Centre in Dunstable.	Turnover	(4)		(3)	
Cumulative spend over 3 years: £0k	Expenditure (Surplus)/deficit	0	(4)	0	(3)
<u>Community Leases/Licenses:</u>					
Rental and other income, and expenditure relating to various land and property.	Turnover	(16)		(29)	
Cumulative spend over 3 years: £96k	Expenditure (Surplus)/deficit	70	54	22	(7)

Continued...

<b>Depots &amp; Storage Facilities:</b>				
Rental and other income, and expenditure relating to various depots and storage facilities.	Turnover	(66)	(57)	
Cumulative spend over 3 years: £23k	Expenditure (Surplus)/deficit	39	(58) <sup>10</sup>	(115)
<b>Farm Estates:</b>				
Rental and other income, and expenditure relating to farm estates.	Turnover	(571)	(813)	
Cumulative spend over 3 years: £329k	Expenditure (Surplus)/deficit	94	145	(668)
<b>Criminal Records Bureau:</b>				
An administration service to Central Bedfordshire Council, Schools and other external organisations.	Turnover	(164)	(200)	
Cumulative spend over 3 years: £453k	Expenditure (Surplus)/deficit	148	150	(50)
<b>HEART supply Agency:</b>				
A supply agency of teachers and support staff to Schools.	Turnover	(159)	(95)	
Cumulative spend over 3 years: £483k	Expenditure (Surplus)/deficit	174	118	22
<b>Schools HR:</b>				
A provision of HR services for schools.	Turnover	(306)	(451)	
Cumulative spend over 3 years: £1,488k	Expenditure (Surplus)/deficit	613	575	124
<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	(814)	(666)	
Cumulative spend over 3 years: £1,899k	Expenditure (Surplus)/deficit	751	517	(149)
<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	(36)	(30)	
Cumulative spend over 3 years: £703k	Expenditure (Surplus)/deficit	259	221	191
<b>Ludun Sheltered Placement:</b>				
A supported workshop involved with wood machinery, wood treatment and picture framing.	Turnover	(220)	(64)	
Cumulative spend over 3 years: £1,263k	Expenditure (Surplus)/deficit	674	73	9
<b>Net (surplus) / deficit on trading operations</b>		<b>(451)</b>		<b>(1,784)</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):

	2010/11	2011/12
	£'000	£'000
Net surplus on trading operations	(451)	(1,784)
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>(451)</b>	<b>(1,784)</b>

<sup>10</sup> The (£58k) total expenditure includes a (£59k) rebate, hence negative expenditure.

### 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

Central Bedfordshire Council (CBC) 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 the geographical area. During 2011/12 the Council continued responsibility for hosting the pooled budget.

The partners contributed funds to the agreed budget equal to 21% (CBC), 13% (BBC) and 66% (NHSB) of the budget respectively. The same proportions were 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 outlined below:

<u>Bedfordshire Community Equipment Service:</u>	<u>2010/11</u>		<u>2011/12</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Funding provided to the pooled budget:				
Central Bedfordshire Council	(370)		(426)	
Bedford Borough Council	(247)		(268)	
NHS Bedfordshire	(1,199)		(1,317)	
		(1,816)		(2,011)
Expenditure met from the pooled budget:				
Luton Borough Council	0		0	
Central Bedfordshire Council	1,816		2,011	
Bedford Borough Council	0		0	
NHS Bedfordshire	0		0	
		1,816		2,011
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>		<b>0</b>		<b>0</b>
CBC share of 21.2% of the net surplus arising on the pooled budget		0		0

### Note 34) Members' Allowances

The Council paid, during the year, the following amounts to the parties outlined:

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Salaries (to members)	1,088	986
Allowances (to members)	3	6
NI (tax)	86	76
Pension (to Pension Fund)	70	64
Expenses (to members)	121	126
<b>Total</b>	<b>1,368</b>	<b>1,258</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 2011/12, this classification included the:

- Chief Executive
- Four Directors
- Two Section 151 Officers (John Unsworth until the end of June 2011 under an interim management contract, then Charles Warboys a full time employee for the rest 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>Compens- ation for loss of office</u>	<u>Total Remuneration excluding Pension Contributions</u>	<u>Pensions contributions</u> £	<u>Total</u> £
Gary Alderson- Director of Sustainable Communities (sabbatical Jun to Oct 2011)						
2011/12	100,150	199	0	100,349	21,789	122,138
2010/11	129,385	942	0	130,327	28,032	158,358
Alan Fleming- Acting Director of Sustainable Communities (cover Jun to Oct 2011)						
2011/12	103,619	1,326	0	104,945	22,549	127,491
2010/11	-	-	-	-	-	-
John Atkinson- Monitoring Officer (from July 2010)						
2011/12	72,057	838	0	72,895	15,675	88,570
2010/11	72,032	786	0	72,818	15,496	88,314
Matt Bowmer- S151 Officer (left in February 2011)						
2011/12	-	-	-	-	-	-
2010/11	81,741	2,283	0	84,024	17,608	101,633
Charles Warboys- S151 Officer (from June 2011)						
2011/12	67,092	676	0	67,768	14,634	82,402
2010/11	-	-	-	-	-	-
Richard Carr- Chief Executive (started October 2009)						
2011/12	184,213	897	0	185,109	40,110	225,219
2010/11	186,750	1,505	0	188,255	40,515	228,770
Richard Ellis- Director of Customer & Shared Services (left in July 2011)						
2011/12	40,777	77	88,060	128,914	8,848	137,761
2010/11	131,739	649	0	132,388	28,579	160,967
Edwina Grant- Director of Children's Services (also acts as Deputy Chief Executive)						
2011/12	155,987	1,964	0	157,951	33,984	191,936
2010/11	157,987	1,833	0	159,820	34,328	194,148
Julie Ogley- Director of Social Care, Health & Housing						
2011/12	142,615	474	0	143,089	31,097	174,186
2010/11	144,669	0	0	144,669	31,411	176,080
<b>TOTAL 2011/12</b>	<b>866,509</b>	<b>6,450</b>	<b>88,060</b>	<b>961,020</b>	<b>188,683</b>	<b>1,149,703</b>
<b>TOTAL 2010/11</b>	<b>904,303</b>	<b>7,998</b>	<b>0</b>	<b>912,301</b>	<b>195,969</b>	<b>1,108,270</b>

John Unsworth was the S151 officer from 14<sup>th</sup> February 2011 until 30<sup>th</sup> June 2011 when he took on another role in the Council. He was not an employee of the Council but provided services under an interim management contract. The cost to the Council from 1<sup>st</sup> April 2011 to 30<sup>th</sup> June 2011 was £57k, which comprised fees for John Unsworth and a margin for the interim management company.

Deb Clarke has been the Interim Assistant Chief Executive officer from 1<sup>st</sup> August 2011, prior to which she held another role in the Council. She is not an employee of

the Council but provided services under an interim management contract. The cost to the Council from 1<sup>st</sup> April 2011 to 31<sup>st</sup> July 2011 was £60k and from 1<sup>st</sup> August 2011 to 31<sup>st</sup> March 2012 was £119k, comprising of fees for Deb Clarke and a margin for the interim management company.

There were no other payments in either year to Senior Officers in relation to bonuses.

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>2010/11</u>	<u>2011/12</u>	<u>2010/11</u>	<u>2011/12</u>
	<u>Number of permanent employees</u>	<u>Number of permanent employees</u>	<u>Number of temporary employees and interim managers</u>	<u>Number of temporary employees and interim managers</u>
£50,000-£54,999	96	78	5	11
£55,000-£59,999	55	41	4	5
£60,000-£64,999	42	35	3	9
£65,000-£69,999	26	19	4	3
£70,000-£74,999	16	8	10	3
£75,000-£79,999	7	5	2	3
£80,000-£84,999	4	7	1	1
£85,000-£89,999	7	4	0	0
£90,000-£94,999	7	1	0	1
£95,000-£99,999	1	1	0	2
£100,000-£104,999	0	0	0	0
£105,000-£109,999	0	0	0	0
£110,000-£114,999	0	0	0	0
£115,000-£119,999	1	0	2	0
£120,000-£124,999	0	0	0	0
£125,000-£129,999	1	0	0	0
£130,000-£134,999	0	0	0	0
£135,000-£139,999	0	0	1	0
£140,000-£144,999	0	0	0	0
£145,000-£149,999	0	0	0	1
£150,000-£154,999	0	0	0	1
£155,000-£159,999	0	0	0	1
<b>Total</b>	<b>263</b>	<b>199</b>	<b>32</b>	<b>41</b>

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

#### Exit Packages:

The total cost of £2.943m in the table below includes all exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. The Council's Comprehensive Income and Expenditure Statement does not include any provision for exit packages, however there is a £3.329m Redundancy / Harmonisation earmarked reserve established for future exit packages.

The table below includes all benefits on termination i.e. redundancy, pay in lieu of notice, severance and actuarial strain etc.

Exit package cost band (inc special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20k	58	156	0	0	58	156	411	963
£20k-£40k	24	30	0	0	24	30	628	813
£40k-£60k	5	13	0	0	5	13	240	632
£60k-£80k	2	5	0	0	2	5	157	333
£80k-£100k	0	1	0	0	0	1	0	88
£100k-£150k	1	1	0	0	1	1	111	114
<b>Total</b>	<b>90</b>	<b>206</b>	<b>0</b>	<b>0</b>	<b>90</b>	<b>206</b>	<b>1,547</b>	<b>2,943</b>

The above listing excludes schools staff, note 45 (which states 260 exit packages) includes schools.

#### 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:

	2010/11 £'000	2011/12 £'000
Fees payable to Audit Commission with regard to external audit services carried out by appointed auditor for the year	343	308
Fees payable to Audit Commission in respect of statutory inspections	0	0
Fees payable to Audit Commission for certification of grant claims and returns for the year	90	85
Fees payable in respect of other services provided by Audit Commission during the year	0	0
Less: Rebates received from the Audit Commission	<b>(30)</b>	<b>(25)</b>
<b>Total</b>	<b>403</b>	<b>368</b>

#### Note 37) Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements were £10.240m at 31 March 2012 (£11.332m 2010/11), which is carried forward into 2012/13.

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 Council-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 2011/12 was used are as follows:

<b><u>Schools budgets funded from DSG:</u></b>	<u>Central Expenditure</u>	<u>Individual Schools Budgets</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Final DSG for 2011/12	-	-	143,620
Brought forward from 2010/11	-	-	1,066
Carry forward to 2012/13 agreed in advance	-	-	0
Agreed budgeted distribution in 2011/12	11,057	132,563	144,686
Actual central expenditure	10,112	-	-
Actual ISB deployed to Schools	-	132,725	-
Council contribution for 2011/12	0	0	0
<b>Carry forward to 2012/13</b>	<b>945</b>	<b>(162)</b>	<b>1,849</b>
<b><u>Reserves:</u></b>			
Brought forward from 2010/11			1,066
Spend in 2011/12			(166)
Balance			900
Increase from DSG under spend			949
<b>Balance at year end 2011/12</b>			<b>1,849</b>
Net increase/(decrease) on reserves			783

### Note 38) Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<b><u>Credited to taxation and non specific grant income:</u></b>		
* Council Tax	(134,646)	(136,659)
* NNDR	(44,284)	(38,638)
* RSG and non-ring fenced govt grants	(18,087)	(15,145)
* Recognised capital grants and contributions		
- Section 106	(1,597)	(1,793)
- Section 278	(1,921)	(1,580)
- Devolved Formula Capital	(3,918)	(2,208)
- Sure Start	(2,187)	0
- Standards Fund	(6,025)	(3,825)
- Modernisation	(1,959)	(1,477)
- Integrated schemes	(2,025)	(5,326)
- All Saints Academy funding	0	(7,565)
- Basic Needs Grant	0	(2,132)
- Schools Capital Maintenance	0	(2,617)
- Growth Area Funding	0	(6,889)
- NHS Campus Closure	0	(1,803)
- Community Development - Dunstable	0	(1,686)
- Others (individually less than £1m)	(4,807)	(3,210)
Total	(24,440)	(42,111)
* Non-service related Government grants	0	0
<b>Total</b>	<b>(221,457)</b>	<b>(232,553)</b>

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<u>Credited to services:</u>		
* Dedicated Schools Grant	(146,441)	(143,620)
* Housing Benefit Subsidy	(74,422)	(73,446)
* Standards Fund	(12,778)	(2,870)
* ISB Related YPLA	(16,425)	(11,927)
* Learning Disability & Health Reform	0	(9,841)
* Early Intervention Grant	0	(8,980)
* Sure Start Early Years and Childcare	(6,867)	(54)
* School Standards Grant	(7,138)	0
* NHS Grant	0	(2,252)
* Housing Benefit Administration	0	(1,510)
* Adult & Community Learning	(1,834)	(1,488)
* Pupil Premium	0	(1,483)
* New Homes	0	(1,121)
* Learning Disability Campus Closure	(1,563)	0
* School Standards Grant (Personalisation)	(1,254)	0
* Other YPLA funding	(1,951)	0
* Drug & Alcohol Misuse	(1,052)	(707)
* Other Grants (individually less than £1m)	(10,380)	(5,944)
<b>Total</b>	<b>(282,106)</b>	<b>(265,243)</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<u>Capital Grants receipts in advance:</u>		
* Devolved Formula Capital (Department for Education)	(3,326)	(2,048)
* Standards Fund (Department for Education)	(5,042)	0
* NHS Campus Closure (Department of Health)	(7,428)	(5,625)
* Basic Need Grant	0	(8,389)
* All Saints Grant	0	(6,726)
* Education Capital Maintenance Grant	0	(3,920)
* Growth Area Fund	0	(1,597)
* Other grants (no individual grants over £1m)	(5,313)	(6,010)
* Section 106	(17,785)	(18,870)
* Section 278	(2,371)	(1,580)
* Other contributions	(8)	(1)
Donated	0	0
<b>Total</b>	<b>(41,273)</b>	<b>(54,766)</b>
<u>Donated assets account:</u>	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.

#### UK 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 2012 are shown in Note 38.

#### Members:

There are 59 members of the Council in total (66 as at 31/03/2011) who have direct control over the Council's financial and operating policies.

The total of members' allowances paid in 2011/12, are shown in Note 34.

A number of Councillors are school governors and are appointed Town and Parish Council members, these are not disclosed in the table below.

A list of Councillor relations with companies / organisations that have had material financial transactions in 2011/12 with the Council is provided below. Material financial transactions for this purpose are defined as those over £1m. If however the transactions are below £1m, but significant in relation to the total income and expenditure of the Related Party, they have been included within this disclosure.

Cllr	Organisation	Relationship	2011/12 Income to the Council	2011/12 Expenditure by the Council
D. Bowater	South Essex Partnership Trust	Governor	(£0)	£3,133,432
R. Drinkwater	Aragon Housing Association	Member	(£0)	£2,089,811
R. Egan	South Beds Dial a Ride	Member	(£0)	£133,984

#### Senior Officers:

Senior Officers are defined as per Note 35.

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

#### Other Public Bodies:

The Council hosts 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<b>Opening capital financing requirement</b>	<b>211,473</b>	<b>200,516</b>
Capital investment:		
* Property, plant and equipment	38,873	39,360
* Investment properties	0	97
* Intangible assets	1,369	1,415
* Revenue funded from capital under statute	12,103	23,890
* Debt as a result of HRA self financing	0	164,995
Sources of finance:		
* Capital receipts	(29,826)	(3,780)
* Government grant and other contributions	(21,013)	(41,808)
* Major Repairs Allowance	(3,709)	(3,805)
Sums set aside from revenue:		
* Direct revenue contributions	(1,502)	(1,288)
* Minimum Revenue Provision / loans fund principal	(7,025)	(5,534)
Other movements	(227)	(2,778)
<b>Closing Capital Financing Requirement</b>	<b>200,516</b>	<b>371,280</b>
Explanation of movement in year:		
* Increase in underlying need to borrow (supported)	(2,530)	0
* Increase in underlying need to borrow (unsupported)	(9,549)	5,769
* Borrowing to support HRA self financing	0	164,995
* Assets acquired under finance leases	1,121	0
* Assets acquired under PFI contracts	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(10,958)</b>	<b>170,764</b>

The Council received approval to capitalise £1.992m of redundancy costs incurred in the 2011/12 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
- 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment:		
* Fleet vehicles	37	17
* Multi-functional devices	1,121	897
<b>Total</b>	<b>1,158</b>	<b>914</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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
<u>Finance leases liabilities (net present value of minimum lease payments)</u>		
Current	(225)	(239)
Non-current	(741)	(502)
Finance costs payable in future years	(199)	(123)
<b>Minimum lease payments</b>	<b>(1,165)</b>	<b>(864)</b>

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

	<u>Minimum</u> <u>Lease</u> <u>Payments</u> <u>2010/11</u> <u>£'000</u>	<u>Finance</u> <u>lease</u> <u>Liabilities</u> <u>2010/11</u> <u>£'000</u>	<u>Minimum</u> <u>Lease</u> <u>Payments</u> <u>2011/12</u> <u>£'000</u>	<u>Finance</u> <u>lease</u> <u>Liabilities</u> <u>2011/12</u> <u>£'000</u>
Not later than one year	(302)	(225)	(298)	(239)
Later than one year and not later than five years	(864)	(741)	(565)	(502)
Later than five years	0	0	0	0
<b>Total</b>	<b>(1,165)</b>	<b>(966)</b>	<b>(864)</b>	<b>(741)</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. Most are less than 25 years and many are annual, those that are 99 years are very limited in number and immaterial in value.

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

	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Not later than one year	366	295
Later than one year and not later than five years	1,133	776
Later than five years	998	504
<b>Total</b>	<b>2,497</b>	<b>1,575</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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Minimum lease payments	2,497	1,575
Contingent rents	0	0
Sub-lease payments receivable	0	0
<b>Total</b>	<b>2,497</b>	<b>1,575</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Not later than one year	1,335	1,377
Later than one year and not later than five years	1,798	1,153
Later than five years	1,952	1,817
<b>Total</b>	<b>5,085</b>	<b>4,347</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 £4.127m in 2011/12 (£3.963m 2010/11) and is subject to increases linked to the RPI until the contract expires on 31 December 2035. Estimated index-rated 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>£'000</u>	<u>expenditure</u>	<u>£'000</u>	<u>£'000</u>
Payable in 2012/13	1,874	596	1,578	4,048
Payable within 2 to 5 years	8,487	2,157	6,341	16,985
Payable within 6 to 10 years	11,889	3,274	8,037	23,200
Payable within 11 to 15 years	14,189	3,087	8,426	25,701
Payable within 16 to 20 years	15,641	4,127	8,818	28,586
Payable within 20 to 25 years	12,616	4,765	7,861	25,242
<b>Total</b>	<b>64,695</b>	<b>18,005</b>	<b>41,061</b>	<b>123,761</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>2010/11</u>	<u>2011/12</u>
	£'000	£'000
Balance outstanding at start of year	19,716	18,453
Payments during the year	(1,263)	(448)
Capital expenditure incurred in the year	0	0
Other movements	0	0
<b>Balance outstanding at year end</b>	<b>18,453</b>	<b>18,005</b>

#### Note 43) Impairment Losses

During 2011/12, the Council had no recognised impairment losses. However, items shown elsewhere in the statements as impairment losses / gains all relate to losses / gains arising due to revaluations. These amounts are summarised in notes 7, 12, 14, 24a and 25.

#### Note 44) Capitalisation of Borrowing Costs

The Council has not capitalised borrowing costs during the 2011/12 financial year.

#### Note 45) Termination Benefits

The Council terminated the contracts of 260 employees in 2011/12, incurring direct redundancy costs of £2.115m (140 and £1.5m in 2010/11). These have been incurred as part of the Council's drive to reduce operating costs.

Of those contracts terminated, four employees in 2011/12 incurred total costs of £5k (one employee 2010/11 £12k) where the individuals were given an "opportunity to seek alternative employment" via paid leave (not annual leave) where the individual was not required to work for the Council.

A full banded table of all termination benefits is outlined in note 35.

#### 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 2011/12, the Council paid:

- £7.035m from the Council's payroll system (£9.1m 2010/11)
- £2.187m from Other payroll providers (£2.4m 2010/11).

to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.2% of pensionable pay (14.2% 2010/11). 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 Bedford 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
<u>Cost of services:</u>	Re-stated	
* Current service costs	14,696	12,433
* Past service costs	(62,767)	145
* Settlements and curtailments	324	(4,570)
<u>Financing and Investment Income and expenditure:</u>		
* Interest cost	34,708	28,832
* Expected return on any re-imbursement right recognised as an asset	0	0
* Expected return on scheme assets	(23,446)	(20,991)
Total post-employment benefits charged to the (surplus) / deficit on the provision of services	(36,483)	15,849
<u>Other Post-employment benefits charged to Comprehensive Income and Expenditure Statement:</u>		
* Actuarial gains / (loss)	73,200	(55,218)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	36,717	(39,369)
<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	(36,483)	15,849
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>		
* Employers contributions payable to scheme	18,105	17,399
* 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 2012 is a loss of £146.8m (£91.6m loss to 31 March 2011).

Assets and Liabilities in Relation to Post-employment Benefits:

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

	<u>Funded &amp; Unfunded liabilities</u>	
	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Opening balance at 1st April	678,476	533,503
Current service costs	14,696	12,433
Interest cost	34,708	28,832
Contributions by scheme participants	5,113	4,582
Actuarial gains and losses	(119,401)	33,308
Benefits paid	(17,646)	(17,768)
Past service costs	(62,767)	145
Entity combinations	0	0
Curtailments	324	1,038
Settlements	0	(14,239)
<b>Closing balance at 31st March</b>	<b>533,503</b>	<b>581,834</b>

Funded / Unfunded split of present value of the scheme liabilities (defined benefit obligation):

	<u>Funded</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Unfunded</u>
	<u>2010/11</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Opening balance at 1st April	655,899	22,577	515,338	18,167
<b>Closing balance at 31st March</b>	<b>515,338</b>	<b>18,167</b>	<b>562,795</b>	<b>19,039</b>
<b>Closing balance at 31st March Total</b>	<b>533,503</b>		<b>581,834</b>	

## Reconciliation of fair value of the scheme assets:

	<u>2010/11</u>	<u>Funded &amp; Unfunded</u>
	<u>£'000</u>	<u>2011/12</u>
		<u>£'000</u>
Opening balance at 1st April	352,121	336,223
Expected rate of return	23,446	20,991
Actuarial gains and losses	(46,201)	(21,910)
Employer contributions	18,105	17,399
Contributions by scheme participants	5,113	4,582
Benefits paid	(16,361)	(16,438)
Curtailments	0	0
Settlements	0	(8,631)
<b>Closing balance at 31st March</b>	<b>336,223</b>	<b>332,216</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 (£0.8m) 2011/12 (£26.9m 2010/11).

## Scheme History:

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Present value of liabilities:</u>					
* Funded & Unfunded	0	0	(678,476)	(533,505)	(581,836)
Fair Value of assets in the					
Funded & Unfunded:	0	0	352,121	336,223	332,216
<u>Surplus/(deficit) in the scheme:</u>					
* Funded & Unfunded	0	0	(326,355)	(197,282)	(249,620)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>352,121</b>	<b>336,223</b>	<b>332,216</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 (£581.8m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of (£249.6m). 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 £14.4m (£17.2m 31 March 2011).

## 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 has 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 2012.

The principal assumptions used by the actuary have been:

	<u>2010/11</u>	<u>Funded &amp; Unfunded</u> <u>2011/12</u>
<u>Long term expected rate of return on assets in the scheme:</u>		
* Equity investments	7.5%	6.3%
* Bonds	4.9%	3.3%
* Property	5.5%	4.4%
* Cash	4.6%	3.5%
* Other	0.0%	0.0%
<u>Mortality assumptions:</u>		
Longevity at 65 for current pensioners:		
* Men	21.6	21.6
* Women	23.2	23.2
Longevity at 65 for future pensioners:		
* Men	23.6	23.6
* Women	25.6	25.6
Rate of Inflation	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	6.3%	4.9%
Rate of discounting scheme liabilities	5.5%	4.8%
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>2010/11</u> %	<u>2011/12</u> %
* Equity investments	54.0	49.0
* Bonds	23.0	24.0
* Property	9.0	9.0
* Cash	14.0	18.0
* Other	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 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	<u>2007/08</u> %	<u>2008/09</u> %	<u>2009/10</u> %	<u>2010/11</u> %	<u>2011/12</u> %
Difference between the expected and actual return on assets	0	0	(16.90)	(1.04)	6.57
Experience gains and losses on liabilities	0	0	0.16	(10.09)	1.56

In the UK Budget Statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

#### Note 48) Contingent Liabilities

At 31 March 2012, the Council was aware of two insurance events that could lead to future legal claims these are in relation to one public liability personal injury and one

employers liability personal injury. 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 provisions are made under note 22 currently. As future legal action cannot be ruled out, these are classified as contingent liabilities. Prudent estimates of the possible financial effect cannot be provided in these instances.

At 31 March 2012, the Council was aware of four legal events that could lead to future legal claims, these are in relation to:

- 1 unpaid invoices issue
- 2 contracts issues

Although no official claims have been logged with the courts, negotiations on these cases are ongoing. Expectations are that these will not result in a financial liability as such no provisions are made under note 22 currently. Prudent estimates of the possible financial effect cannot be provided in these instances.

Municipal Mutual Insurance (MMI) - This relates to a potential claw-back of funds by the MMI to cover claims relating to diseases, particularly those arising from asbestos exposure. The claw-back would only occur if MMI is unable to meet all the claims against it. On 28 March 2012 the Supreme Court ruled that insurance policies respond as at the date of causation or exposure, a ruling which was not in MMI's favour. It is uncertain whether any claw-back of funds will arise and a reliable estimate of the potential financial effect is not yet possible. However, the Council has considered it prudent to set aside an earmarked reserve of £1m, within the insurance earmarked reserve, for this purpose.

A legal challenge has been logged with the Courts by a domiciliary care contractor within adult and social care, claiming financial loss over the past three financial years. This challenge is disputed by the Council. Prudent estimates of the possible financial effect cannot be provided in these instances.

#### Note 49) Contingent Assets

At 31 March 2012, 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 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. (A minimum long term rating of A- or equivalent for UK counterparties: AA+ or equivalent for non-UK sovereigns) – this is lower than the A+ minimum adopted in 2011/12 and is in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

New specified investments will be made within the following limits:

<u>Instrument</u>	<u>Country/ Domicile</u>	<u>Counterparty</u>	<u>Maximum Counter-party Limits %/£m</u>
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts/Bill	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK*	Counterparties rated at least A- Long Term and F1 Short Term (or equivalent)	£15m
Term Deposits/Call Accounts	Non-UK*	Counterparties rated at least A- Long Term and F1 Short Term (or equivalent) in select countries with a Sovereign Rating of at least AA+	£5m
Gilts	UK	DMO	No limit
T-Bills	UK	DMO	No limit
Bonds issued by multilateral development banks		(For example, European Investment Bank/Council of Europe, Inter American Development Bank)	30%
CNAV -rated Money Market Funds	UK/Ireland /Luxembourg domiciled	CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value) These are currently AAA	40%
Other MMFs and CIS	UK/Ireland /Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	£10m

The credit criteria in respect of financial assets held by the Council are as detailed below: The countries and institutions that meet the criteria for term deposits, Certificates of Deposit (CDs) and call accounts are included below. Any institution can be suspended or removed should they give rise to concern.

<u>Instrument</u>	<u>Country/ Domicile</u>	<u>Counterparty</u>	<u>Maximum Counterparty Limit £m</u>
Term Deposits / CDs / Call Accounts	UK	Santander UK Plc (Banco Santander Group)	15
Term Deposits / CDs / Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	15

Term Deposits / CDs / Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)	15
Term Deposits / CDs / Call Accounts	UK	Barclays Bank Plc	15
Term Deposits / CDs / Call Accounts	UK	Clydesdale Bank (National Australia Bank)	15
Term Deposits / CDs / Call Accounts	UK	HSBC Bank Plc	15
Term Deposits / CDs / Call Accounts	UK	Nationwide Building Society	15
Term Deposits / CDs / Call Accounts	UK	NatWest Councils bank (RBS Group)	25
Term Deposits / CDs / Call Accounts	UK	Royal Bank of Scotland (RBS Group)	15
Term Deposits / CDs / Call Accounts	UK	Standard Chartered Bank	15
Term Deposits / CDs / Call Accounts	Australia	Australia and NZ Banking Group	5
Term Deposits / CDs / Call Accounts	Australia	Commonwealth Bank of Australia	5
Term Deposits / CDs / Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank)	5
Term Deposits / CDs / Call Accounts	Australia	Westpac Banking Corp	5
Term Deposits / CDs / Call Accounts	Canada	Bank of Montreal	5
Term Deposits / CDs / Call Accounts	Canada	Bank of Nova Scotia	5
Term Deposits / CDs / Call Accounts	Canada	Canadian Imperial Bank of Commerce	5
Term Deposits / CDs / Call Accounts	Canada	Royal Bank of Canada	5
Term Deposits / CDs / Call Accounts	Canada	Toronto-Dominion Bank	5
Term Deposits / CDs / Call Accounts	Finland	Nordea Bank Finland	5
Term Deposits / CDs / Call Accounts	Germany	Deutsche Bank AG	5
Term Deposits / CDs / Call Accounts	Netherlands	ING Bank NV	5
Term Deposits / CDs / Call Accounts	Netherlands	Rabobank	5
Term Deposits / CDs / Call Accounts	Netherlands	Bank Nederlandse Gemeenten	5
Term Deposits / CDs / Call Accounts	Sweden	Svenska Handelsbanken	5
Term Deposits / CDs / Call Accounts	Switzerland	Credit Suisse	5
Term Deposits / CDs / Call Accounts	US	JP Morgan	5

\*\*Please note this list could change if, for example, a counterparty / country is upgraded and meets our other creditworthiness tools. Alternatively, if counterparty is downgraded, this list may be shortened.

It remains the Council's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

Council's Banker - the Council banks with NatWest. On adoption of this Strategy, it will meet the minimum credit rating criteria of A- (or equivalent) long term. It is the

Councils intention that even if the credit rating of NatWest falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

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 non-recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 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 non-collection over the last two financial years, adjusted to reflect current market conditions:

<u>31/03/2012</u>	<u>Amount at 31 March £'000</u>	<u>Historical experience of default %</u>	<u>Historical experience adjusted for market conditions at 31st March %</u>	<u>Estimate max exposure to default and uncollect- ability at 31st March £'000 (A*C)</u>	<u>Estimate max exposure as 31st March £'000</u>
	<u>A</u>	<u>B</u>	<u>C</u>		
Bonds	22,542	0.0%	0.00%	0	0
Customers	17,877	0.6%	0.75%	134	134
<b>Total</b>	<b>40,419</b>	-	-	<b>134</b>	<b>134</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 £17.9m customer balances is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<u>2010/11 £'000</u>	<u>2011/12 £'000</u>
Less than 3 months	10,154	13,239
Three to six months	645	1,522
Six months to one year	971	1,476
More than a year	693	1,640
<b>Total</b>	<b>12,463</b>	<b>17,877</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Less than one year	646	5,038
Between one and two years	5,038	7,557
Between two and five years	33,376	32,432
Between five and ten years	6,612	44,995
Between ten and 25 years	34,649	154,649
More than 25 years	75,916	75,916
<b>Total</b>	<b>156,237</b>	<b>320,586</b>

All above figures are quoted at nominal value.

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 Statement.

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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<u>2011/12</u>
	<u>£'000</u>
Increase in interest payable on variable rate borrowing	806
Increase in interest receivable on variable rate investments *	(470)
Increase in government grant receivable for financing costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>336</b>
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure Statement	0
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 Statement)	(36,678)

\* based upon investments and cash / cash equivalents  
 ((£12.5m+£24.7m+£9.8m)\*1%=£470k)

The impact of a 1% fall in interest rates would be the same movement as above but in reverse for variable rated borrowing. The movement for interest receivable would be half of the value above in reverse because as the base rate is 0.5% it couldn't fall below 0%.

#### 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.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The £5m shares are all classified as 'available for sale' however as all movements in price are unrealised until sale, when they would become realised, the impact of gains and losses are recognised in the Available for Sale Financial Instruments Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £250k gain or loss being recognised in the Available for Sale Financial Instruments Reserve for 2011/12 (actual cumulative unrealised losses for the Lime Fund, currently stand at 31/03/2012 at £312k).

#### 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.

## Note 51) Trust Funds

The Council acts a custodian trustee for three trust funds. As a custodian trustee the Council holds the property but takes no decisions on its use. The funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

Funds for which Council acts as custodian trustee:

<u>2011/12</u>	<u>Income</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Assets</u> <u>£'000</u>	<u>Liabilities</u> <u>£'000</u>
<u>LW Williams fund</u> Bursary / scholarship prize for the pupil with the best A Level results, confined to schools serving Dunstable and the outlying district (excluding Luton). Established in 1993. Low interest rates resulted in less than £1k earned in 2011/12 and a prize of less than £1k being awarded in September 2011. This has been rounded down and appears as zeros for the purpose of this note.	0	0	10	0
<u>Adult Social Care Customer fund</u> A social care client made CBC the appointee for £30k in December 2010 following the decision to withdraw this sum from the Allied Irish Bank. Low interest rates resulted in less than £1k being earned in interest during 2011/12. This has been rounded down and appears as zeros for the purpose of this note.	0	0	30	0
<u>LuDun fund</u> To provide employment, training, accommodation, facilities and services for people who by reason of mental or physical disability are unable to gain normal employment. This service ceased during 2011/12 and associated costs were borne whilst disposals contributed to recorded income. Interest of less than £1k was earned in 2011/12. This has been rounded down and appears as zeros for the purpose of this note.	(29)	17	133	(10)
<b>Total</b>	<b>(29)</b>	<b>17</b>	<b>173</b>	<b>(10)</b>

<u>2010/11</u>	<u>Income</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Assets</u> <u>£'000</u>	<u>Liabilities</u> <u>£'000</u>
<u>LW Williams fund</u> As above.	0	0	10	0
<u>Adult Social Care Customer fund</u> As above	0	0	30	0
<u>LuDun fund</u> As above	0	0	112	(1)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>152</b>	<b>(1)</b>

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

<u>2010/11</u> £'000	Note	<u>2011/12</u> £'000	<u>2011/12</u> £'000
<b>Expenditure</b>			
4,887		4,224	
4,940		5,039	
152		158	
8,653	8	9,893	
44,603	7	(6,955)	
79		80	
25		123	
0		164,995	
<b>63,340</b>			<b>177,557</b>
<b>Income</b>			
(20,836)		(22,610)	
(491)		(210)	
(823)		(805)	
(875)		(845)	
<b>(23,024)</b>			<b>(24,470)</b>
<b>40,315</b>			<b>153,087</b>
<b>Net Cost of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement</b>			
105			90
(4,278)			10
<b>(4,173)</b>			<b>100</b>
<b>36,142</b>			<b>153,187</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>			
(429)			(547)
(199)			(186)
768	10		519
140			(214)
<b>36,282</b>			<b>152,974</b>
<b>(Surplus) / Deficit for the Year on HRA services</b>			

**MOVEMENT ON THE HRA STATEMENT**

<u>2010/11</u> <u>£'000</u>	<u>Note</u>	<u>2011/12</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
4,224			3,742
(36,282)		(152,974)	
<u>Adjustments between accounting basis and funding basis under regulations</u>			
41,579		(10,016)	
(429)		(547)	
(3,830)		112	
(835)	4	(664)	
0		164,995	
<b>203</b>			<b>906</b>
<u>Transfers to / from reserves</u>			
(684)	3	(744)	
(684)			(744)
(482)			163
<b>3,742</b>			<b>3,905</b>

### HRA Note 1) Housing Stock

<u>Property Type</u>	<u>Stock at 01/04/2011</u>	<u>Additions</u>	<u>Sales</u>	<u>Deleted / Demolished</u>	<u>Stock at 31/03/2012</u>
Low rise flats	1,296	0	0	(1)	1,295
Medium rise flats	505	1	0	0	506
High rise flats	0	0	0	0	0
Houses & Bungalows	3,404	1	(7)	0	3,398
<b>Total</b>	<b>5,205</b>	<b>2</b>	<b>(7)</b>	<b>(1)</b>	<b>5,199</b>

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

<u>Operational Assets</u>	<u>Value at 01/04/2011</u>	<u>Value at 31/03/2012</u>
	<u>£'000</u>	<u>£'000</u>
	Restated	
Council dwellings	222,788	230,200
Other land & buildings- HRA	74,919	77,509
Other land & buildings- Non-HRA	0	0
Vehicles, plant, furniture and equipment	0	0
Infrastructure & community assets	0	0
Assets under construction	0	0
Surplus assets not held for sale	0	0
Investment properties	0	0
Assets held for sale	0	0
<b>Total</b>	<b>297,707</b>	<b>307,709</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 1 April 2012 value was £571m (£571m in 1 April 2011). The vacant possession percentage used for 2011/12 was 39% (39% 2010/11).

### 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance @ 1 <sup>st</sup> April	(200)	(200)
Total Depreciation on all HRA assets	(3,024)	(3,061)
Depreciation less than the Major Repairs Allowance transferred to HRA	(684)	(744)
Expenditure in year	3,708	3,805
<b>Balance @ 31<sup>st</sup> March</b>	<b>(200)</b>	<b>(200)</b>

### HRA Note 4) Capital Expenditure and Financing

The Council spent £4.766m on HRA capital projects in 2011/12 (£6.172m 2010/11). This spending was financed from the following sources:

<u>Source of Finance</u>	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Major repairs allowance	3,709	3,805
Capital Expenditure funded from revenue	835	664
Capital Receipts	1,628	297
Supported Borrowing	0	0
<b>Total</b>	<b>6,172</b>	<b>4,766</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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
Sale of Council houses	837	867
Right to buy discount repaid	28	6
Principal repayments on mortgage	32	12
Sale of land	12	68
<b>Total</b>	<b>909</b>	<b>953</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 if the CFR is negative. In 2009/10, 2010/11 and 2011/12 the HRA CFR was negative so the latter method was used as follows:

	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
HRA investment income	(130)	(125)
Interest on cash balances & mortgages	(68)	(61)
Other interest received	0	0
<b>Total</b>	<b>(198)</b>	<b>(186)</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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
	Restated	
<u>HRA assets- depreciation:</u>		
Council dwellings	2,239	2,266
Other land & buildings- HRA	785	795
Other land & buildings- Non-HRA	0	0
Vehicles, plant, furniture and equipment	0	0
Infrastructure & community assets	0	0
Assets under construction	0	0
Surplus assets not held for sale	0	0
Investment properties	0	0
Assets held for sale	0	0
<u>HRA assets – impairment:</u>		
Council dwellings	41,391	(7,037)
Other land & buildings- HRA	188	(2,978)
Other land & buildings- Non-HRA	0	0
Vehicles, plant, furniture and equipment	0	0
Infrastructure & community assets	0	0
Assets under construction	0	0
Surplus assets not held for sale	0	0
Investment properties	0	0
Assets held for sale	0	0
<b>Total</b>	<b>44,603</b>	<b>(6,955)</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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Rent income	(20,735)	(22,122)
Interest receipts	(44)	(23)
Management and maintenance	8,417	8,447
Major repairs allowance (2009/10 included in line above)	3,709	3,805
<b>Total</b>	<b>(8,653)</b>	<b>(9,893)</b>

#### HRA Note 9) Rent Arrears

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Current tenant arrears	532	571
Former tenant arrears	250	315
Total	782	886
Bad debt provision	(328)	(395)
<b>Total</b>	<b>454</b>	<b>491</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. 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>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Current service costs & unfunded (within expenditure)	914	735
Past service costs	(4,278)	10
Pension interest costs	2,366	1,908
Expected return on assets	(1,598)	(1,389)
<b>Net change to Income and expenditure account</b>	<b>(2,596)</b>	<b>1,263</b>
Statement of movement in the HRA balance:		
Reversal of net charges made for retirement benefits	1,362	(2,415)
<b>Employers contribution payable to the scheme (within expenditure)</b>	<b>(1,234)</b>	<b>(1,152)</b>

## THE COLLECTION FUND STATEMENT

<u>2010/11</u>		<u>Note</u>	<u>2011/12</u>	<u>2011/12</u>
<u>£'000</u>			<u>£'000</u>	<u>£'000</u>
	<u>Income</u>			
139,472	Income from Council Tax		141,654	
16,498	Council Tax Benefits transfers from General Fund		16,565	
(2)	Transitional relief		(3)	
69,214	Income collectable from business ratepayers	3	72,708	
<u>225,183</u>				<u>230,923</u>
	<u>Expenditure</u>			
	Precepts and Demands (in year)			
134,646	Central Bedfordshire Council	4	136,659	
13,783	Bedfordshire Police Authority	4	13,992	
7,849	Bedfordshire and Luton Combined Fire Authority	4	7,968	
<u>156,279</u>				<u>158,619</u>
	Business Rates:			
68,889	Payment to national pool		72,388	
325	Costs of collection		320	
<u>69,214</u>				<u>72,708</u>
	Bad and doubtful debts:			
287	Council Tax write-offs		288	
(196)	Increase / (reduction) in bad and doubtful debts provision - Council Tax		322	
<u>91</u>				<u>610</u>
199	Contributions towards previous year's estimated Collection Fund surplus	5		(661)
<u>225,783</u>				<u>231,276</u>
<b>(601)</b>	<b>Movement on Fund Balance</b>			<b>(353)</b>
<b>(913)</b>	<b>Surplus / (Deficit) Balance Bought Forward</b>			<b>(1,514)</b>
<b>(1,514)</b>	<b>Surplus / (Deficit) Balance Carried Forward</b>	5		<b>(1,866)</b>

	<b><u>Movement in year:</u></b>			
(346)	Surplus/(deficit) generated in year (Central Bedfordshire Council)		(873)	
(56)	Surplus/(deficit) generated in year (Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority)		(140)	
<b>(402)</b>	<b>Total in Year Surplus/(Deficit)</b>			<b>(1,014)</b>
(171)	Distribution of prior year surplus / (deficit)- Central Bedfordshire Council	5		564
(28)	Distribution of prior year surplus / (deficit)- Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority	5		97
<b>(601)</b>	<b>Movement in year</b>			<b>(353)</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 Non-Domestic 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 2011/12 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	9,321	6/9	6,214
B	22,092	7/9	17,183
C	30,947	8/9	27,508
D	20,014	9/9	20,014
E	14,002	11/9	17,114
F	7,390	13/9	10,674
G	4,397	15/9	7,328
H	330	18/9	660
-	<u>108,493</u>	-	<u>106,695</u>
Less: other adjustments (discounts / appeals etc)			9,561
			<u>97,134</u>
Less: adjustment for collection rate (0.5%)			486
Tax Base 2011/12			<u>96,649</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: 2011/12: £128,051,839 / 96,649 = £1,324.92p (2010/11: £126,143,895 / 95,206 = £1,324.96p).

### CF Note 3) NNDR

The total non-domestic rateable value at 31 March 2012 was £201,602,370 as per the Valuation Office's schedule dated 31 March 2012 (£203,820,917 in 2010/11). The 2011/12 NNDR standard multiplier set for the year by the Government (via DCLG) was 43.3p (41.4p in 2010/11) and 42.6p for small businesses (40.7p in 2011/12). NNDR income was £72,708k (£69,214k 2010/11).

### CF Note 4) Major Precepting Authorities

The major precepting authorities were:

	<u>2010/11</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Central Bedfordshire Council	134,646	136,659
Bedfordshire Police Authority	13,783	13,992
Bedfordshire & Luton Combined Fire Authority	7,849	7,968
<b>Total</b>	<b>156,279</b>	<b>158,619</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 2011/12, the balances calculated on this basis are as follows:

		<u>2010/11</u>	<u>2011/12</u>
		<u>£'000</u>	<u>£'000</u>
Balance 1 <sup>st</sup> April		(913)	(1,514)
Allocated in year:			
* Central Bedfordshire Council		(170)	564
* Bedfordshire Police Authority		(19)	62
* Bedfordshire & Luton Combined Fire Authority		(11)	35
Total Distributed		(199)	661
Prior years surplus to be distributed / (overpayment - deficit)		(1,112)	(853)
Surplus/(deficit) in year		(402)	(1,014)
<b>Balance 31<sup>st</sup> March</b>		<b>(1,514)</b>	<b>(1,866)</b>
<u>Allocated Between:</u>			
Bedfordshire Police Authority	2009/10 and prior	(85)	(85)
"	2010/11	(56)	(56)
"	2011/12	0	(43)
Bedfordshire & Luton Combined Fire Authority	2009/10 and prior	(49)	(49)
Bedfordshire & Luton Fire Combined Authority	2010/11	(32)	(32)
"	2011/12	0	(21)
Total recorded within debtors		(222)	(286)
Central Bedfordshire Council	2009/10 and prior	(779)	(779)
"	2010/11	(513)	(513)
"	2011/12	0	(288)
Total recorded within the Collection Fund Adjustment Account		(1,292)	(1,580)
<b>Balance 31<sup>st</sup> March</b>		<b>(1,514)</b>	<b>(1,866)</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 within the Corporate Services Directorate
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- The Audit Committee, under delegated authority from the Council, approves 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 / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code).

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
- 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 2012 and its income and expenditure for the year ended 31<sup>st</sup> March 2012.

.....  
Charles Warboys  
Chief Finance Officer

Dated:.....

I confirm that the Statement of Accounts were approved by the Audit Committee of Central Bedfordshire Council at its meeting on 17<sup>th</sup> September 2012.

.....  
David Bowater  
Chair of the Audit Committee

Dated:.....

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

### **Opinion on the Authority financial statements**

I have audited the financial statements of Central Bedfordshire Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Central Bedfordshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Central Bedfordshire Council as at 31 March 2012 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

### **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Central Bedfordshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

### **Certificate**

I certify that I have completed the audit of the accounts of Central Bedfordshire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King  
District Auditor / Officer of the Audit Commission  
Audit Commission,  
3rd Floor,  
Eastbrook,  
Shaftesbury Road,  
Cambridge CB2 8BF

September 2012

## **ANNUAL GOVERNANCE STATEMENT**

### **CENTRAL BEDFORDSHIRE COUNCIL**

#### **ANNUAL GOVERNANCE STATEMENT 2011/12**

##### **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, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including 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).

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 how it has met 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 GOVERNANCE FRAMEWORK**

###### **2.1 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, engages with and leads the community. The 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 corporate 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 being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The system of internal control was in place for the duration of the financial year 2011/12 and has remained so until the date of the approval of the accounts.

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

## 2.2 Central Bedfordshire Council's Vision

The Council has committed itself to the vision for Central Bedfordshire that has been developed and adopted by Central Bedfordshire Together (the local strategic partnership) as part of the Sustainable Community 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.

The Council's Budget and Policy Framework contains specific plans, policies and strategies driving delivery of the Council's priorities and key work programmes.

The Council has adopted 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 Efficiencies** – 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.

The Council has developed a new Medium Term Plan, which was formally adopted by the Council in June 2012.

## 2.3 Service Quality

The Council has used regular performance reporting to ensure a sustained focus on those things that matter most to local people. We have a focussed and disciplined approach to producing, reviewing and acting on this critical performance information and it has resulted in success in both delivering short and medium term priorities and in the continuing improvement in 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 presented to the Executive with any specific issues addressed through Overview & Scrutiny. At an operational level, Directorate Management Teams receive reports on a regular basis setting out the key performance of the directorate, with associated commentary provided by the Assistant Directors.

## **2.4 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 and those powers which have been delegated to committees and officers. The powers of the Executive and those delegated to individual Executive Members 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). The Constitution is reviewed regularly.

The key policies of the Council are defined in the "Policy Framework" which forms part of 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 Policy Framework was last updated by the Council on 24 November 2011.

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 Council's Chief Finance Officer 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 makers when taking decisions. High level Codes of Financial and Procurement Governance set out the constraints within which officers may 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.

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

Central Bedfordshire Council has adopted arrangements to promote high standards of ethical governance.

The Council has appointed a Standards Committee consisting of 15 Members, 5 of whom are Independent, 5 from Town and Parish Councils and 5 elected Members. The Council's Standards Committee meets regularly and is updated on National and Local issues.

The Council has adopted a Code of Conduct for Members as required by the Local Government Act 2000, together with a Code of Conduct for Officers, a Protocol for Members/Officer Relations, a Monitoring Officer Protocol and a Protocol of ICT at Home. These Codes and Protocols are included in the Council's Constitution.

Additionally, there is an Ethical Handbook which contains further codes relating to Gifts and Hospitality, Planning and Licensing Good Practice, Confidential Reporting (Whistleblowing) and guidance for Members on Property and Transactions and Commercial Property Management.

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 2011/12 the Council received a total of 16 complaints alleging breaches of the Code of Conduct. Of these, 5 concerned members of Central Bedfordshire Council and 11 related to members of Town and Parish Councils.

Ethical standards have been embedded within the Authority by way of comprehensive training and development to Members.

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.

The Localism Act received Royal Assent on 15 November 2011 and as a consequence the arrangements described above have been subject to review to reflect the changes that are contained in the Act. An Ethical Standards Task Force

has been undertaking this review and it is proposed that the Council will adopt a new Code of Conduct at its Annual Meeting on 19 April 2012.

The Members' Code of Conduct was the subject of an internal audit during the year. The audit had three objectives: to check whether the Council's Code of conduct was compliant with the model Code issued in 2007; to assess whether Members were fully aware of the Code of Conduct and of their responsibilities; and to determine whether failures to comply with the Code are reported and properly dealt with. Following the audit a report was issued indicating that all these aspects were in place and that the Council's arrangements were fully compliant.

## **2.6 Decisions, processes and controls**

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 taker when making a decision, including the requirement to consult local councillors on matters that affect their wards. 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. 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 aides memoires

During August 2011, the responsibility for risk management transferred to Internal Audit. The Council's Risk Management Strategy and Policy Statement were approved by the Audit Committee in April 2011 and the Strategic Risk register has been regularly reviewed and refreshed during the year. CMT endorsed the updated Risk Management Strategy and Policy Statement and have received regular risk reports during the year, which have also been presented to the Audit Committee.

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.

## **2.7 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.

## **2.8 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.

## **2.9 Whistle-blowing and complaints**

The Council introduced a whistle blowing policy known as the Confidential Reporting Code in the Ethical Handbook section of the Constitution. This has been regularly reviewed and updated to reflect changes to roles and responsibilities, most recently by the Audit Committee in January 2012

An Anti Fraud and Corruption Strategy was also approved and is included in the Ethical Handbook of the Constitution. This was also approved by the Audit Committee in January 2012 to reflect the introduction of the Bribery Act 2010 and changes to reporting channels within the Council.

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.

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

A number of Leadership and Management Qualities have been developed and agreed by the Senior Management Group (SMG) which comprises of the top 3 tiers. SMG will undergo a 360 degree assessment to identify development needs and support a future Leadership and Management Development Programme. One outcome of this project will be a more robust Performance Development Framework for Senior Managers.

Various Training and Development Programmes offer a wide range of activities linked to the Corporate Vision, Values and Priorities. These are designed to support individuals and the organisation in meeting their objectives and statutory requirements in the context of the changing environment of local government.

Member induction took place in 2011 after the local elections. The Member Development Programme has been developed to support new and returning Members. It has been ratified by the Member Development Champion and Corporate Management Team. Members will undergo a 360 degree assessment process in Spring 2012 to identify their future development needs and inform the ongoing programme.

## **2.11 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, on line or face to face.

The 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 on line.

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, on line 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.

A weekly bulletin is sent to all members to provide information about forthcoming events, meetings and to ensure that they are made aware of any significant issues.

## **2.12 Equality and Diversity**

Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations. The 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 and which experiences fairness and equity of treatment.

As strategies, policies and services are developed, the Council conducts Equality Impact Assessments 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.

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 re-assignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex 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 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.

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.

### 2.13 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 prescribes 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.

### **3.0 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 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 Chief Finance Officer 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 Internal Audit and Risk who reports to the Chief Finance Officer 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's performance is monitored on a quarterly basis 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 rates of pay and terms and conditions of employees.

An Information Assurance and Security Group is in place and is chaired by the Senior Information Risk Owner (SIRO) to improve and promote information governance.

#### **4.0 Annual Audit Report for 2011/12**

The Council's Head of Internal Audit submitted her opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 25 June 2012. The Head of Internal Audit reported that her opinion was that overall the Council's system internal control was adequate. In general the key controls in place were adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

However, there remain concerns within the Payroll systems resulting in a limited assurance opinion. Controls in this area need to be strengthened and recommendations that have been made to management will continue to be fully tracked by the Audit Committee during 2012/13 to provide assurance that the necessary improvements are being made. The payroll service was brought back in house from 1<sup>st</sup> April 2012. This resulted in a review of processes, which will continue during 2012/13.

Progress has been made during the year to address the control weaknesses identified during the first two years of the Council in respect of the managed audits of the key financial systems. Improvements have been noted in the reviewing and monitoring of control and suspense accounts and bank account reconciliations. However, further work needs to be undertaken to ensure that the Council's Financial Procedures are comprehensively documented and reviewed.

There was a significant turnover of senior finance staff during the year resulting in an inherent risk within the financial systems relating to capacity, experience and expertise. However, a permanent team has now been recruited which mitigates this risk.

Internal Audit has continued to track the implementation of high risk recommendations. This work has highlighted that an IT Disaster Recovery Plan has

still to be finalised. Owing to a re-sequencing of activities to address urgent and immediate priorities, the full plan is now due to be completed by October 2012.

## 5.0 SIGNIFICANT GOVERNANCE ISSUES

In previous Annual Governance Statements certain significant governance issues have been identified, together with the measures that the Council intends to take to manage the risks associated with these issues. Such issues are identified in the Council's Corporate Risk Register, which also identifies the mitigating action to be taken. The Risk Register is monitored regularly by CMT.

The following strategic risks were added to the strategic risk register in 2011/12:


- **Growth:** Managing the delivery of planned growth targets;
- **Health & Safety:** a risk that Members and Officers will fail to recognise their responsibilities to comply fully with health and safety legislation;
- **Failure in competition process:** inappropriate contract arrangements which fail to deliver service requirements;
- **Data management:** a risk of failure to implement information governance arrangements;
- **Localism:** responding to the challenges of the Localism Act will require innovation in service delivery and greater exposure to risk.

Mitigating actions have been identified to manage each of these risks and these are recorded in the Corporate Risk Register.

## 6.0 CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2011/12.

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 10 September 2012**

## 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 Council 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 Council 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 (NNDR: 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 (NDR)</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>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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