

# Annual Statement of Accounts

Central Bedfordshire Council  
2012/13



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# CENTRAL BEDFORDSHIRE COUNCIL

## STATEMENT OF ACCOUNTS 2012/13

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## EXPLANATORY FOREWORD

### 1 Introduction

I am pleased to present the Statement of Accounts for the year ending 31 March 2013 which provides information on how the Council has applied financial resources to deliver services and progress the priorities outlined in the Medium Term Plan.

Central Bedfordshire Council is a unitary authority serving a growing population of around 255,000. It is a largely rural area with over half the population living in the countryside and the rest in a number of market towns, the largest of which are Leighton Buzzard, Dunstable, Houghton Regis, Biggleswade, Flitwick, Sandy and Ampthill. The area is generally prosperous, with above national average levels of employment and earnings, benefitting from excellent transport links, including the A1 and M1, three main rail lines and the close location of Luton and Stansted international airports. The area is a great place to live and work having attracted major investments and many residents who commute out of the area to London, Luton, Milton Keynes and Hertfordshire.

The Council has had to manage its services and resources in an environment of continued reductions in central government funding and subdued economic growth which has further restrained income and contributed to increasing demand for many services.

The population is predicted to grow to 276,500 by 2016 and the Council is striving to provide for this increase by supporting affordable housing developments as well as working with businesses to help create local jobs. In tandem with population growth residents are enjoying longer lives which increases the need for many Council services.

The Council continues to adapt to changes in both statutory responsibilities and technology. Over half of all pupils are now educated in academies and this proportion is expected to continue to rise. Public health services will transfer to the Council from the National Health Service on 1 April 2013.

The Statement of Accounts have been produced for the Council as a single entity based on International Financial Reporting Standards (IFRS) and prepared in accordance with the Chartered Institute of Public Finance and Accountancy/ Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) Code of Practice on local authority accounting in Great Britain ("the code"). The code's overriding requirement is that the Statement of Accounts should 'present a true and fair view' of the financial position and transactions of the Council.

The specific requirements of the code are very detailed and this foreword is intended to help guide the reader through the document and highlight any significant matters. The foreword and the glossary of terms are included to assist the reader and are not formally part of the Statement of Accounts and as such are not covered directly by the statutory requirements for an audit opinion.

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## 2 The Financial Statements

### Main Statements

The code requires that the accounts are prepared in line with recognised accounting practices and this approach recognises several costs such as depreciation that, under statute, cannot be charged to local taxpayers. The statements outlined are intended to inform the reader of both the accounting and the regulatory financial position of the Council. Comparative numbers are also provided for the year ended 31 March 2012

**The Movement in Reserves Statement** shows the movement in year on the Council's different reserves which are analysed into "usable reserves" (those that can be applied to fund expenditure or reduce taxation) which in total at 31 March 2013 amount to £66.2m and other reserves £219.3m. The Surplus or (Deficit) on the Provision of Services line shows an accounting net cost of £67.1m incurred in the delivery services for the year ended 31 March 2013. Other lines on the statement disclose the adjustments between the accounting and funding (statutory) basis of £88.0m and net transfers to or from earmarked reserves

**The Comprehensive Income and Expenditure Statement** for the year ended 31 March 2013 discloses the day-to-day expenditure incurred in providing services, any financing costs and the income due from fees and charges, government grants, local taxation and other contributions. This statement discloses the 'Deficit on Provision of Services' (£67.1m). Any other gains and losses experienced by the Council but which are not reflected in the 'Surplus or Deficit on Provision of Services', as they are dependent on future events before they are realised (e.g. increases in asset values will only be realised if the asset is sold) are recognised under 'Other Comprehensive Income and Expenditure' as £36.9m. The 'Total Comprehensive Income and Expenditure deficit for the Period' reported is £104.0m.

**The Balance Sheet** shows the value as at 31 March 2013 of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. The net worth of the Council as at 31 March 2013 was £285.5m.

**The Cash Flow Statement** shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash and Cash Equivalents held by the Council as at 31 March 2013 amounted to £23.3m with a reduction over the period of £22.4m. The reduction in balances is largely due to Internal Borrowing to fund the Capital programme.

**The notes to the Statement of Accounts** include the statement of accounting policies which explain the basis for the recognition, measurement and disclosure of transactions in the accounts.

### Supplementary financial statements

**The Collection Fund** separately summarises the transactions in relation to National Non-domestic Rates and Council Tax collected by the Council on behalf of those authorities responsible for services within the area and the way in which these monies have been distributed among the authorities to finance their expenditure.

**The Housing Revenue Account Comprehensive Income and Expenditure Statement** shows the costs in year of providing and operating the Council's housing stock.

**Other Statements published with but not part of the Statement of Accounts.**

**The Statement of Responsibilities for the Statement of Accounts**

The specific responsibilities of the Council and the Chief Finance Officer for preparing and approving the Statement of Accounts are set out in this statement.

**The Annual Governance Statement** explains how the Council has complied with its corporate governance framework providing information about the different elements of the framework, key issues and the main areas of work that have been progressed during 2012/13 and are being developed in 2013/14.

**The Glossary** is provided as an aid to readers of this document.

**3 Summary of Financial Performance in 2012/13**

**Revenue Income and Expenditure**

The net revenue budget for 2012/13 was set at £178.9m (£181.2m in 2011/12). At 31 March 2013 the net revenue outturn was £0.5m below budget. This is reconciled to the accounting statements in Note 27 and summarised by directorate below:

	Children's Services	Corporate Services	Social Care, Health & Housing	Sustainable Communities	Corporate Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2012/13</b>						
Directorate Net Budget	32,914	29,017	55,586	47,421	14,011	178,949
<b>Directorate expenditure:</b>						
Employee Expenses	22,854	55,283	17,167	19,591	2,790	117,685
Other Service Expenses	43,983	102,678	68,754	39,478	11,634	266,527
Total Expenditure	66,837	157,961	85,921	59,069	14,424	384,212
<b>Directorate Income:</b>						
Fees, charges & other service income	(35,300)	(127,207)	(33,128)	(13,112)	(5,495)	(214,242)
<b>Net Costs</b>	31,537	30,754	52,793	45,957	8,929	169,970
Transfers to and (from) reserves	3,138	(1,526)	1,068	621	5,150	8,451
<b>Actual after Reserve Transfers</b>	34,675	29,228	53,861	46,578	14,079	178,421
<b>Surplus/ (Deficit) reported to management</b>	(1,761)	(211)	1,725	843	(68)	<b>528</b>

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There were variances from budget of over £0.5m in Children's Services and in Social Care, Health and Housing and Sustainable Communities. The key reasons for these were:

- Children's Services – additional funds were set aside in year for future costs relating to looked after children, children with disabilities and to cover shortfalls in Early Intervention Grant (EIG) funding.
- Social Care – underspends in care packages for older people and people with learning disabilities, due to focus on 'right-sizing' of care packages and increased funding for continuing healthcare.
- Sustainable Communities – underspends due to reduced expenditure on planning related consultancy and new contracts for Residual Waste and Recycling Treatment and Disposal.

#### **4 Housing Revenue Account (HRA)**

The balance on the Housing Revenue Account (HRA) has decreased in year to £2m (£3.9m in 2011/12), due to amounts being set aside as earmarked reserves. The HRA has two new earmarked reserves in 2012/13: a Sheltered Housing Re-Provision reserve of £8.7m and a Strategic Reserve to finance future housing investment of £1.3m. The HRA was also statutorily required to set aside £3.2m in the Major Repairs Reserve (MRR), to either fund future capital investment or repay debt, and had £0.7m of capital receipts unapplied.

#### **5 The Capital Outturn Position**

The net outturn position for the year to 31 March 2013 totalled £34.4m (£23.6m in 2011/12) which was below the net and gross budgets by £8.2m and £15.2m respectively. The 2012/13 capital programme gross budget was £86.3m, with external funding (grants and contributions) of £43.6m giving a net budget of £42.7m.

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 by Directorate in the table overleaf:

<b>Capital Programme Outturn 2012/13</b>					
	<b>BUDGET- Gross Expenditure</b>	<b>BUDGET- External Funding</b>	<b>BUDGET- Net Expenditure</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>
Children's Services	28,005	(27,078)	927	840	(87)
Social Care, Health & Housing	7,050	(3,966)	3,084	2,156	(928)
Sustainable Communities	32,631	(12,402)	20,229	19,188	(1,040)
Resources	9,295	(132)	9,163	3,436	(5,727)
People & Organisation	3,128	0	3,128	2,129	(999)
<b>Sub Total</b>	<b>80,109</b>	<b>(43,578)</b>	<b>36,531</b>	<b>27,750</b>	<b>(8,781)</b>
Housing Revenue Account	6,142	0	6,142	6,650	508
<b>Total</b>	<b>86,251</b>	<b>(43,578)</b>	<b>42,673</b>	<b>34,400</b>	<b>(8,273)</b>

There were no major or material asset acquisitions in 2012/13.

## 6 Capital Resources

The Council spent £73.4m this year on capital expenditure (including £2.3m Section 106 expenditure) which was funded from the following resources:

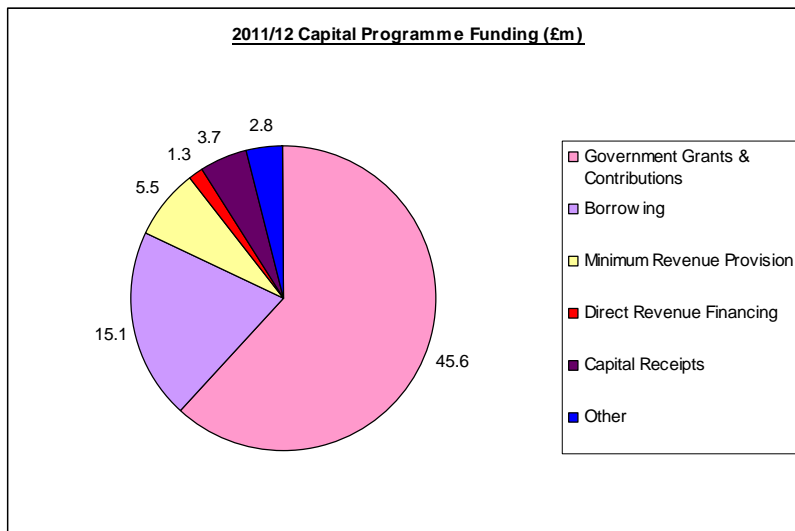
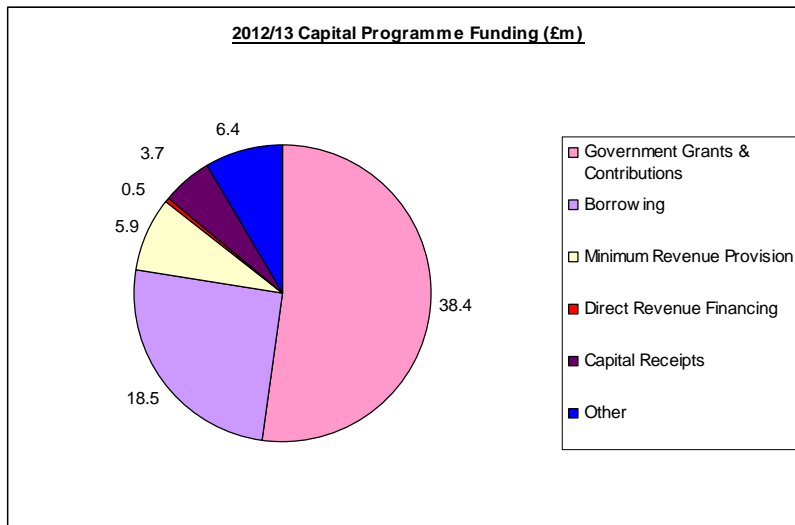
- Capital Receipts - £3.7m ( £3.7m in 2011/12)
- Government Grants and Contributions - £38.4m (£45.6m in 2011/12).
- Direct Revenue Funding - £0.5m (£1.3m in 2011/12)
- Minimum Revenue Provision £5.9m ( £5.5m in 2011/12)
- Internal Borrowing £18.5m ( £5.1m in 2011/12)
- Other £6.4m ( £2.8m in 2011/12)

During the year all general fund capital receipts were applied to finance capital expenditure. The Housing Revenue Account retained capital receipts amounting to £0.7m.

The Housing Revenue Account's capital programme is funded through the capital financing requirement of £6.4m and usable capital receipts £0.3m (£0.3m in 2011/12). Previously the Housing Revenue Account's capital programme was funded primarily by the major repairs allowance, but this has been abolished following changes made under Self- Financing arrangements.

A PFI credit of £1.9m, 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.





## 7 Debt and Investments

### Borrowing

Within the Treasury Management Strategy, the Council approved an authorised borrowing limit for 2012/13 of £439.9m (compared to £435m 2011/12).

During the year the Council accessed no additional borrowing and was able to use internal resources to fund all potential borrowing requirements.

### Cash Equivalents and Investments

The Council has resources held as cash equivalents cash in hand and deposits repayable within 24 hours, which provide liquidity for the council and some longer term investments. In accordance with the Treasury Management Strategy approved annually by Council and based on regular specialist external advice the allocation to bank accounts and other investments with high levels of security will vary over time and with the Council's experienced cash flows. At 31st March all such resources totalled £23.3m a reduction of £16.3m on 11/12 which reflects the timing of receipts and payments and the decision to defer any new external borrowing for capital expenditure and maturing existing loans.

	2011/12 £'000	2012/13 £'000
Cash and Cash Equivalents	45,679	23,307

The Council generated investment income of just over £0.9m in the financial year achieving the set budget for the financial year. The yield the Council achieved on investments reduced in 2012/13 to 1.24% compared to 1.61% in 2011/12. This is due to the overall fall in the rates available in the financial markets.

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

	£'000
Internally Managed (investments and cash equivalents)	27,520
Externally Managed Lime fund	4,724
	<b>32,244</b>

## 8 Council Tax Collection

The collectable amount in respect of 2012/13 Council Tax was £144m and the Council's in year collection rate was 97.9% (97.9% 2011/12).

Council Tax arrears amounted to £10m as at 31 March 2013 (£10.3m as at 31 March 2012) of which £3.9m relate to 2012/13 billing and this amount is expected to be substantially collected during 2013/14.

## **9 Material assets acquired or liabilities incurred**

At the end of 2011/12 the Council made a payment of £165m to the Secretary of State for Communities and Local Government as part of Housing Revenue Account (HRA) Self Financing. This is reflected as an exceptional item in the Comprehensive Income and Expenditure Statement in 2011/12.

Schools have converted to Academy status during 2011/12 and 2012/13 and the Property, Plant and Equipment related to these schools is written out of the Council's asset register at the point of transfer. Amounts written off were £49,739k in 2012/13 (£146,321k in 2011/12).

## **10 Provisions**

There were £4.1m of provisions as at 31 March 2013 (£3.7m 2011/12) the most significant being in respect of self insurance arrangements. The Insurance Provision, which includes some liabilities in respect of the former Bedfordshire County Council and managed on behalf of Bedford Borough Council, stood at £2.9m as at 31 March 2013 (£2.8m 2011/12).

## **11 The Council's Local Government Pension Fund liability**

The CIPFA Code of Practice requires the Council to record in the Statement of Accounts, the assets and liabilities of the Bedfordshire Local Government Pension Scheme (LGPS) attributable to the Council and the cost of pensions. The underlying principle is that the Council should account for retirement benefits when it is committed to make them, even though the cash payments may be many years into the future.

The liability for both statutory and discretionary pension benefits, measured in accordance with International Accounting Standard 19 (IAS 19), has increased over the year. At 31 March 2013 the Council's net liability reported by the Actuary to the LGPS was £303.8m (£249.6m in 11/12), an increase of £54.2m (21.7%). The fair value of LGPS assets increased over the year by £33.5m (10.1%) to £365.7m and the value of the obligations to pay pension liabilities increased by £87.7m (15.1%) to £669.5m.

The large increase in the net liability at 31 March 2013 reflects declines in long term bond yields and an increase in the Consumer Prices Index which together reduced the rate used to discount future pension liabilities from 4.8% to 4.5%.

The net pension liability of £303.8m represents an estimate following IAS19 requirements and there is no direct link to funding or employers' contribution rates. The net liability is matched by the Pension Reserve, also shown in the Balance Sheet.

There are statutory arrangements for funding any LGPS deficit by increased employer contributions over the remaining working life of employees, as determined by the scheme's actuary. The triennial actuarial valuation of the Bedfordshire LGPS determines the future contribution rates for employers and reflects different assumptions to those required by IAS19. The latest triennial valuation at 31 March 2010 certified a funding level of 72% for the Council and resulted in stabilised

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employer contributions of 23.9% of pensionable pay to apply from 1 April 2011 to 31 March 2014.

More information on the Council's pensions liabilities is contained in Note 42 Defined Benefit Pension Schemes.

## **12 Service and Economic Outlook**

### **The Economic Outlook**

The Council's Medium Term Financial Plan (MTFP) 2013 – 2017 has been updated against a background of significant challenges not least of which is Central government reforms to local government at a time of subdued economic growth.

Whilst the worst fears of a triple dip recession were avoided overall UK economic output was broadly flat at 0.3% (preliminary estimate at May 2013) for the year ended 31 March 2013. Despite low economic growth, employment levels remained relatively strong and the annual rate of consumer prices inflation (CPI), although continuing a decline from the 2011 high of 5.2%, remained above the government's target of 2% and ended the year at 2.4%. The Bank of England expects CPI inflation to remain above the 2% target for the next two years. Interest rates remain very low, with the base rate fixed at 0.5% and no increase is anticipated in this rate for several years.

The Office for Budget Responsibility has reduced its forecast for GDP growth in 2013 from 1.2 per cent to 0.6 per cent and from 2.0 per cent to 1.8 per cent for 2014. Expectations are for a subdued but sustained recovery aided by a further easing in credit conditions and some improvement in the global environment. The Bank of England currently judges that the risks to this likely scenario are weighted to the downside, not least because of the challenges facing the euro area and slowing growth in emerging markets.

The Chancellor of the Exchequer has previously revised and extended his plans for deficit reduction and has commenced a spending review process to determine levels of public expenditure for 2015/16. The Chancellor's plans assume that total spending will continue to fall in 2015/16 at the same rate as over the Spending Review 2010 period. As expenditure on Health, Schools and Overseas Development will continue to be protected further pressure is likely on local authorities to reduce expenditure whilst maintaining or improving services.

### **Service changes**

The responsibilities for Public Health transferred to local government from the NHS with effect from 1 April 2013. At the same time local schemes for social payments, council tax support and council tax exemptions have been implemented. The rules on Housing Benefit have been revised with restrictions on entitlement for social housing tenants for cases where their accommodation is assessed as being above their needs. Fundamental changes have also been made to the funding of local authorities by the distribution of locally collected Business Rates.

As indicated in section 9 above, there has been an ongoing transfer of schools to Academy status throughout 2011/12 and 2012/13.

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The phased implementation by the government of a system of 'universal credit' to replace an existing range of means-tested benefits and tax credits for people of working age is due to commence in October 2013. This change will have significant operational and resource implications for the Council which at this point in time remain unquantifiable.

Many of the changes outlined above reflect a transfer of additional responsibilities, financial pressures and financial risk to local authorities.

### **Demographic changes**

There are significant social and economic drivers of change within Central Bedfordshire across the medium term and beyond, with forecast demographic changes between 2012 and 2016 of:

- 5% increase in the overall population;
- 16% increase in the over 75's population; and
- 24% increase in the over 85's population

Additionally, technological change is having a profound impact on the delivery and public access to services; reflected in the use of the internet and social media.

### **Budget plans and Council Priorities**

The Council's priorities were approved in June 2012 and are to:

- enhance Central Bedfordshire by creating jobs, managing growth, protecting the countryside and enabling businesses to grow;
- improve educational attainment;
- promote health and wellbeing, and protect the vulnerable;
- provide better infrastructure – improved roads, broadband reach and transport;
- provide great universal services – bins, leisure and libraries, and;
- deliver value for money – freezing council tax.

It is important that the Council establishes a level of reserves which allows it to withstand unanticipated financial impacts of future developments at a local and national level. The principal objectives that were applied when setting the 2013/14 Budget were to:

- produce a sustainable plan allowing Council priorities to be delivered;
- provide for realistic spending year on year that was not dependent on using reserves;
- maintain reserves at, or above, an agreed level reflecting the risks faced by the Council;
- allow for zero Council Tax increases over the MTFP period;
- avoid cuts to front line services; and
- commit to efficiency as a means of delivering savings.

The Budget for 2013/14 identified efficiencies of £16.1m that were required to produce a balanced budget for the year. A further £29.1m of efficiencies are required to be identified over the subsequent three years to achieve the proposed MTFP.

The Capital programme of £80.2m for 2013/14 will be funded by £43.8m of grant funding, £1.5m of capital receipts and £34.9m of council resources. Where council

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resources are required, internal borrowing will be utilised whilst cash balances permit and external borrowing used thereafter.

The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The General Fund Revenue Account balances stood at £14.2m as at 31 March 2013 and £21.4m is held in earmarked reserves.



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

Central Bedfordshire Council  
Priory House  
Monks Walk  
Chicksands  
Bedfordshire  
SG17 5TQ

## 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 has this responsibility.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. The Audit Committee, under delegated authority from the Council, fulfils this role.

### 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 2012/13 (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 2013 and its income and expenditure for the year ended 31<sup>st</sup> March 2013.

Charles Warboys  
Chief Finance Officer

Dated: 23.9.13

I confirm that the Statement of Accounts was approved by the Audit Committee of Central Bedfordshire Council at its meeting on 23rd September 2013.

Councillor Mike Blair  
Chair of the Audit Committee

Dated: 23.9.13

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**Central Bedfordshire  
Council  
Single Entity Core  
Financial Statements  
2012/13**

### 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.

<b>Usable Reserves 2012/13</b>	<b>General Fund £'000</b>	<b>General Fund Earmarked £'000</b>	<b>HRA £'000</b>	<b>HRA Earmarked £'000</b>	<b>HRA Major Repairs £'000</b>	<b>Capital Receipts £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Schools £'000</b>	<b>Usable Reserve Total £'000</b>
<b>Balance at 31 March 2012</b>	(10,919)	(18,526)	(3,905)	0	(200)	0	(1,480)	(10,240)	(45,270)
<b>Movement in Reserves during 2012/13:</b>									
(Surplus)/deficit on provision of services	69,309	0	(2,170)	0	0	0	0	0	67,139
<b>Total Comprehensive I&amp;E</b>	69,309	0	(2,170)	0	0	0	0	0	67,139
Adjustments between accounting basis and funding basis under regulations (note 7)	(78,299)	0	(5,862)	0	(3,237)	(657)	0	0	(88,055)
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	(8,990)	0	(8,032)	0	(3,237)	(657)	0	0	(20,916)
Transfers (to)/from Earmarked Reserves (note 8)	5,710	(2,908)	9,937	(9,937)	0	0	0	(2,802)	0
<b>(Increase)/Decrease in year</b>	(3,280)	(2,908)	1,905	(9,937)	(3,237)	(657)	0	(2,802)	(20,916)
<b>Balance at 31st March 2013</b>	(14,199)	(21,434)	(2,000)	(9,937)	(3,437)	(657)	(1,480)	(13,042)	(66,186)

<b>Unusable Reserves 2012/13</b>	<b>Revaluation Reserve £'000</b>	<b>Available For Sale £'000</b>	<b>Pensions £'000</b>	<b>Capital Adjustment Account £'000</b>	<b>Deferred Capital Receipts £'000</b>	<b>Financial Instrument £'000</b>	<b>Collection Fund Adjustment Account £'000</b>	<b>Short term Accumulated Absence £'000</b>	<b>Unusable Reserve Total £'000</b>	<b>Total Reserves £'000</b>
<b>Balance at 31 March 2012</b>	(44,952)	312	249,620	(561,001)	(72)	1,949	1,581	8,309	(344,254)	(389,524)
Other Comprehensive I&E	(11,508)	(36)	48,436	0	0	0	0	0	36,892	104,031
Adjustments between accounting basis and funding basis under regulations (note 7)	9,966	0	5,773	77,709	72	(116)	(476)	(4,874)	88,055	0
<b>(Increase)/Decrease in year</b>	(1,542)	(36)	54,209	77,709	72	(116)	(476)	(4,874)	124,947	104,031
<b>Balance at 31st March 2013</b>	(46,494)	276	303,829	(483,292)	0	1,833	1,105	3,435	(219,308)	(285,494)



<b>Usable Reserves 2011/12</b>	<b>General Fund £'000</b>	<b>General Fund Earmarked £'000</b>	<b>HRA £'000</b>	<b>HRA Earmarked £'000</b>	<b>HRA Major Repairs £'000</b>	<b>Capital Receipts £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Schools £'000</b>	<b>Usable Reserves Total £'000</b>
<b>Balance at 31 March 2011</b>	<b>(6,990)</b>	<b>(12,091)</b>	<b>(3,742)</b>	<b>(46)</b>	<b>(200)</b>	<b>(2,568)</b>	<b>(1,480)</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	0	2,568	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>0</b>	<b>2,568</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>0</b>	<b>2,568</b>	<b>0</b>	<b>1,092</b>	<b>(6,820)</b>
<b>Balance at 31st March 2012</b>	<b>(10,919)</b>	<b>(18,526)</b>	<b>(3,905)</b>	<b>0</b>	<b>(200)</b>	<b>0</b>	<b>(1,480)</b>	<b>(10,240)</b>	<b>(45,270)</b>

<b>Unusable Reserves 2011/12</b>	<b>Revaluation Reserve £'000</b>	<b>Available For Sale £'000</b>	<b>Pensions £'000</b>	<b>Capital Adjustment Account £'000</b>	<b>Deferred Capital Receipts £'000</b>	<b>Financial Instrument £'000</b>	<b>Collection Fund Adjustment Account £'000</b>	<b>Short term Accumulated Absence £'000</b>	<b>Unusable Reserves Total £'000</b>	<b>Total Reserves £'000</b>
<b>Balance at 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>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	276,561
Other Comprehensive I&E	(9,283)	(243)	53,887	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>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	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>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
<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>2,622</b>	<b>327,276</b>	<b>320,456</b>
<b>Balance at 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>8,309</b>	<b>(344,254)</b>	<b>(389,524)</b>

## 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.

<u>2011/12</u>			<u>2012/13</u>		
<u>Gross Expenditure</u>	<u>Gross Income</u>	<u>Net Expenditure</u>	<u>Gross Expenditure</u>	<u>Gross Income</u>	<u>Net Expenditure</u>
<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Service Analysis</b>					
86,712	(81,849)	4,863	7,400	(4,100)	3,300
11,787	(1,026)	10,761	9,316	(586)	8,730
25,447	(3,065)	22,382	26,108	(2,149)	23,959
18,552	(7,029)	11,523	18,249	(4,212)	14,037
268,487	(206,463)	62,024	205,131	(151,742)	53,389
26,937	(3,480)	23,457	24,939	(1,826)	23,113
12,565	(24,472)	(11,907)	17,010	(26,575)	(9,564)
164,995	0	164,995	0	0	0
9,370	(1,216)	8,154	85,017	(80,435)	4,582
87,656	(33,888)	53,768	92,718	(32,141)	60,577
4,594	(477)	4,117	2,975	(4,215)	(1,241)
7,566 <sup>1</sup>	(685)	6,881	1,183	(47)	1,136
<b>724,668</b>	<b>(363,650)</b>	<b>361,018</b>	<b>490,046</b>	<b>(308,028)</b>	<b>182,018</b>
<b>Cost of Services</b>					
<b>Note</b>					
	151,441			9	91,538
	(3,345)			10	20,764
	(232,553)			11	(227,181)
	276,561				67,139
	(15,705)			12	(12,209)
	6,421			12	701
	(243)			15	(36)
	53,887			42	48,436
	(466)				0
	43,894				36,892
	<b>320,455</b>				<b>104,031</b>
<b>Total Comprehensive Income and Expenditure Statement- Deficit</b>					

<sup>1</sup> . £164,995k transferred to Department of Communities and Local Government in 2011/12 as part of HRA self financing

<sup>2</sup> . Housing Benefit payments and income reclassified in 2012/13 from Central Services to Other Housing Services.

## 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'.

<u>31</u> <u>March</u> <u>2012</u> <u>£'000</u>	<u>Note</u>	<u>31</u> <u>March</u> <u>2013</u> <u>£'000</u>	<u>31</u> <u>March</u> <u>2013</u> <u>£'000</u>
<b>Long Term Assets</b>			
886,649	Property, Plant & Equipment	12	835,634
79,264	Investment Properties	13	78,809
6,650	Intangible Assets	14	7,078
4,688	Long Term Investments	15	4,724
1,143	Long Term Debtors	15	1,117
<b>978,394</b>			<b>927,362</b>
<b>Current Assets</b>			
12,796	Short Term Investments- principal	15	20,118
2,961	Assets Held for Sale	19	2,700
55,620	Short Term Debtors	17	48,093
45,679	Cash and Cash Equivalents	18	23,307
<b>117,056</b>			<b>94,218</b>
<b>Current Liabilities</b>			
(5,038)	Short Term Borrowing	15	(8,792)
(52,441)	Short Term Creditors	20	(37,183)
(3,713)	Provisions	21	(4,180)
(8,309)	Provisions - accumulated absences	23	(3,435)
<b>(69,501)</b>			<b>(53,590)</b>
<b>Long Term Liabilities</b>			
(355)	Long Term Creditors	15	(132)
(18,005)	Private Finance Initiative (PFI)	38	(17,409)
(313,678)	Long Term Borrowing <sup>2</sup>	15	(306,225)
(249,620)	Liability to Defined Benefit Pension Scheme	42	(303,829)
(54,766)	Capital Grants (receipts in advance)	34	(54,901)
<b>(636,424)</b>			<b>(682,496)</b>
<b>389,524</b>	<b>Net Assets</b>		<b>285,494</b>
<b>Total Reserves</b>			
(45,270)	Usable Reserves	22	(66,186)
(344,254)	Unusable Reserves	23	(219,308)
<b>(389,524)</b>			<b>(285,494)</b>

<sup>2</sup> £164,995k additional long term borrowing taken on to facilitate the HRA's self financing during 2011/12.

## 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.

<u>2011/12</u> <u>£'000</u>		<u>Note</u>	<u>2012/13</u> <u>£'000</u>
(276,561)	Net surplus/(deficit) on the provision of services	24	(67,139)
185,345	Adjustment net surplus/(deficit) on the provision of services for non-cash movements	24	133,498
(38,334)	Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	24	(33,819)
<b>(129,550)</b>	<b>Net cash flows from operating activities- inflow/(outflow)</b>	24	<b>32,540</b>
11,200	Investing activities	25	(49,874)
158,972	Financing activities	26	(5,038)
<b>40,622</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(22,372)</b>
5,057	Cash and cash equivalents at 1st April		45,679
<b>45,679</b>	<b>Cash and cash equivalents at 31st March</b>	18	<b>23,307</b>

**NOTES TO THE STATEMENT OF ACCOUNTS**

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## 1. Accounting policies

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice (SeRCOP) 2012/13, 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.

### i) Accruals of Expenditure and Income

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

- 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.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### ii) Acquired and Discontinued Operations

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

iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature overnight from the Balance Sheet date.

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv) 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 an understanding of the Authority's financial performance.

v) Prior Period Adjustments

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.

vi) Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in

accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council has assessed the Minimum Revenue Provision (MRP) in accordance with the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Any charge is based on option 1 and option 3 of the guidance.

vii) Employee Benefits

Post Employment Benefits:

Employees of the Authority are members of one of the two following pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Bedford Borough Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

*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 Authority 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 Authority are included at their fair value on the following basis:
  - Quoted securities – current bid price
  - Unquoted securities – market value (professional estimate)
  - Unitised securities – current bid price
  - Property - market value (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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 line in the Comprehensive Income and Expenditure Statement
  - **Expected return on assets.** The annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return, which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - **Gains and losses on settlements and curtailments.** The results of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, which is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 are charged to the Pension Reserve
  - **Contributions paid to the Fund.** Cash paid as the employer's contribution to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### *Discretionary Benefits*

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The Authority 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:

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits:

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

viii) Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a

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category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

The Authority holds two types of financial assets:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

*Loans and Receivables*

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans of a material amount are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### *Available for Sale Assets*

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x) 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 Authority in terms of foreign currency transactions.

xi) Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xii) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise

be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xiii) Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xiv) Heritage Assets

Any Tangible or Intangible Heritage Assets held by the Council are not of material financial value. They are therefore classified as property, plant and equipment and are not disclosed separately in the accounting statements.

xv) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is

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restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi) Inventories and Long-term Contracts

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

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvii) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Investment Properties that a Council decides to sell are not reclassified as held for sale but remain investment property, until the disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in

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Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xviii) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority 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 Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority 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.

xix) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Authority as Lessee**

#### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).



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Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Authority as Lessor**

#### *Finance Leases*

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. [When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve].

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

#### *Operating Leases*

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### xx) Overheads and Support Services

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 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### xxi) Non-current Assets Held for Sale

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

An asset is classified as 'held for sale' when it meets the following criteria:

- The asset (or disposal group) must be available 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.

Assets held for sale are not depreciated.

Right-to-Buy properties are not classified as assets held for sale due to the tenant's right to cancel the transaction up until actual exchange.

xxii) Private Finance Initiative (PFI) Schemes and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – 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)
- life-cycle 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.

xxiii) Property, Plant and Equipment

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 are classified as Property, Plant and Equipment.

**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 Authority 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.

These 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 Authority's obligation to meet future rental payments.

The Authority sets a £2,000 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 (e.g. if an invoice is less than £2,000 but the expenditure is necessary to bring asset into use, this would be capitalised).

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (Existing Use Value – Social Housing (EUV-SH))
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment / Revaluation Losses**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is charged on fixed assets that have a finite useful life. 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.

Where a financially material item of Property, Plant and Equipment asset has major components valued at over £250,000 or over 20% of the total cost of the asset, the components are depreciated separately.

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Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Right to Buy (RTB) Disposals**

From 2012-2013 major changes to Right to Buy (RTB) discounts and how the pooling amount of local authorities' housing receipts are calculated came into effect. There are five deductions to be made to those receipts which are in the following priority: transaction costs, allowable debt, local authority share and Government share identified in the self financing determination, and the deductible buy back allowance.

Any receipts remaining after the five deductions listed above are then available for replacement stock and will be used for the Government's policy of replacing at a national level all additional dwellings sold as a result of the changes to discounts with new homes for affordable rent. Central Bedfordshire Council entered into an agreement, dated 31 August 2012, made under section 11(6) of the Local Government Act 2003, to retain these receipts. The Council must ensure that

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sufficient amounts are spent on social housing within 3 years such that the retained amounts constitute no more than 30% of the amount spent

xxiv) Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

xxv) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxvi) Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxvii) Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxviii) Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The qualification year for the first phase of the CRC scheme was 2008, prior to the formation of Central Bedfordshire Council and therefore the Authority was not required to participate in this stage of the scheme. Phase 2 of the CRC scheme commences in 2013/14 and the Authority will be required to participate in the scheme if it falls within the minimum qualification thresholds.

2. Accounting Standards Issued but not Adopted

Amendments to International Accounting Standard (IAS) 19 Employee Benefits 2011 have not been adopted in the 2012/13 CIPFA Code of Practice but will be adopted in the 2013/14 Code. The most notable changes include the introduction of new classes of components of defined pension benefits costs to be recognised in the financial statements, new recognition criteria for service posts related to pension and new recognition criteria for termination benefits. The Council will adopt the 2013/14 CIPFA Code from 1 April 2013 and the below table outlines projected 2013/14 IAS19 figures in the key areas impacted:

	<b>2012/13</b>	<b>2013/14 Projected</b>
	<b>£000</b>	<b>£000</b>
Current Service Cost	11,731	14,901
Interest on Obligation	27,722	30,187
Expected Return on Employer Assets	(16,228)	(16,553)
<b>Total</b>	<b>23,225</b>	<b>28,535</b>

The 2013/14 projected figures include an assumed 1% salary increase. The 2012/13 accounts will be retrospectively restated in 2013/14 where changes are material.

Amendments to International Accounting Standard (IAS) 1 Presentation of Financial Statements 2011 have not been adopted in the 2012/13 CIPFA Code of Practice but will be adopted in the 2013/14 Code. The Council will adopt the 2013/14 CIPFA Code from 1 April 2013 and as the changes are presentational, there will be no material impact on the amounts included within the financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority 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 degree of uncertainty regarding future levels of funding for local government. The Authority has determined that this uncertainty is not sufficient to provide any indication that assets of the Authority might be impaired beyond that which has been already considered according to account practices.



- The Authority has no deposits with Financial Institutions which are in administration and has no evidence at the Balance Sheet date to suggest any counter-parties of the Authority will enter administration.
- Although the Authority has a number of its Councillors on the Boards of external organisations, the Authority does not have a controlling influence of any of these organisations.
- As financially material assets are re-valued or attract capital expenditure, the Authority assesses these assets with a view to splitting them into their material components, where there may be a significant impact on how the asset is depreciated. Where the asset is not financially material or any component does not amount to over 20% of the asset value and £250,000, the asset is not split as any effect on depreciation is immaterial to the financial statements.
- Heritage assets held by the Authority are not financially material in value and therefore are not separately disclosed from Property, Plant and Equipment.
- Lease arrangements where the Authority is the lessee or lessor are assessed to determine whether the lease is a finance lease or an operating lease. Lease arrangements which are not financially material are all treated as operating leases.
- The Authority recognises various types of school assets as follows:
  - Community Schools are on the Balance Sheet as Central Bedfordshire Council has significant control of the asset and its service potential. The exception is when the asset is leased with CBC as the lessor. In these circumstances whether the asset is on the Balance Sheet or not is determined by IAS 17 (Leases).
  - Voluntary Controlled School buildings and land are not on the Balance Sheet as the Authority does not control the asset. The Exception is when there is an adjacent playing field owned by Central Bedfordshire. In this case the playing field is on the Authority's Balance Sheet.
  - Voluntary Aided School buildings and land are off the Balance Sheet as the Authority does not control the asset.
  - Foundation School buildings and land are not on the Balance Sheet as the Authority does not control the asset.
  - Academies are off the Balance Sheet as the Authority does not control the asset. When a Community school converts to academy status, it will remain recognised in the Authority's accounts until a long term lease is signed.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities with the next financial year are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are valued by professional staff qualified by the Royal Institute of Chartered Surveyors (RICS). Nevertheless, there is an inherent element of subjectivity with any asset valuation.	The value of an asset and its estimated useful economic life determine the depreciation charged to the Comprehensive Income and Expenditure Statement. If the useful lives of all assets are overstated by 1 year, depreciation would increase by £1.4m.
Provisions on bad debt and arrears	Bad debt provisions are inherently estimates, based on past data. It is possible that the Authority may over or under provide for its bad debt.	If the provision for bad debt is incorrect, there would be an impact to the debtors balance on the balance sheet and the amount of provision charged to the Comprehensive Income and Expenditure Statement. A 1% increase in the bad debt provision would require a revenue charge of £33k.
Pensions Liability	There are a large number of variable factors used when calculating the future pension liability e.g. mortality ratios and future economic conditions. A Professional and independent actuary firm is used to estimate values within the Balance Sheet.	If any of the factors used to calculate the pension liability are incorrect, there would be an impact on the balance sheet and the Comprehensive Income and Expenditure Statement. A 1% increase in the pension liability would represent an increase of £3m charged to the Comprehensive Income and Expenditure Statement.
Others:		
<ul style="list-style-type: none"> <li>• Accruals</li> <li>• Trading a/c's overheads</li> <li>• HRA proportion of pensions</li> </ul>	<ul style="list-style-type: none"> <li>• Actual amount differs from estimate</li> </ul>	If incorrect, effect is mis-statement of values on the Balance Sheet / HRA and potential revenue impact. Any impact would not be material.

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 to indicate the impact of uncertainties where it is impractical to do so.

## 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:

Area	Narrative	2011/12 £'000	2012/13 £'000
Comprehensive Income & Expenditure Statement – Other	Schools Converting to Academy Status	146,321	49,739
Operating Expenditure Disposals of Non-Current Assets			

## 6. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Finance Officer (Section 151 Officer) on 24th June 2013. 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 2013, 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 Authority which would need to be registered as events after the balance sheet date.

## 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 (MRR) and is legally required to set aside funds in this reserve annually. The MRR 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 MRR that has yet to be applied at 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.

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#### 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.

<b>2012/13</b>	<b>General Fund Balance</b>	<b>HRA Balance</b>	<b>Capital Receipt Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Major Repairs Reserve</b>	<b>Schools</b>	<b>Movement unusable Reserve</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debits / credits to the Comprehensive Income and Expenditure Statement:</b>							
Depreciation	(17,374)	(3,237)	-	-	-	-	20,611
Revaluation losses on Property, Plant and Equipment	(5,564)	(2,508)	-	-	-	-	8,072
Movement in the market value of investment properties	(633)	-	-	-	-	-	633
Amortisation of intangible assets	(507)	-	-	-	-	-	507
Capital grants and contributions applied	38,481	-	-	-	-	-	(38,481)
Revenue expenditure funded from capital under statute	(21,085)	-	-	-	-	-	21,085
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	(83,254)	(1,038)	-	-	-	-	84,292
<b>Insertion of items not debits / credits to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	5,874	-	-	-	-	-	(5,874)
Capital expenditure charged against the General Fund and HRA balances	528	-	-	-	-	-	(528)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sales proceeds credit as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	2,270	1,316	(3,586)	-	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,568	-	-	-	(2,568)
Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool	(360)	-	360	-	-	-	-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credit to the HRA	3,237	-	-	-	(3,237)	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
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	116	-	-	-	-	-	(116)
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefit debits / credits to the Comprehensive Income and Expenditure Statement	(19,788)	(1,063)	-	-	-	-	20,851
Employer's pensions contributions and direct payments to pensioners payable in	14,411	667					(15,078)

year							
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>							
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	475	-	-	-	-	-	(475)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
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	4,874	-	-	-	-	-	(4,874)
<b>Total Adjustments:</b>	<b>(78,299)</b>	<b>(5,862)</b>	<b>(657)</b>	<b>-</b>	<b>(3,237)</b>	<b>-</b>	<b>88,057</b>

<u>2011/12</u>	<u>General Fund Balance</u>	<u>HRA Balance</u>	<u>Capital Receipt Reserve</u>	<u>Capital Grants Unapplied</u>	<u>Major Repairs Reserve</u>	<u>Schools</u>	<u>Movement unusable Reserve</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debits / credits to the Comprehensive Income and Expenditure Statement:</b>							
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	-	-	-	-	-	(41,808)
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
<b>Insertion of items not debits/credits to the Comprehensive Income and Expenditure Statement:</b>							
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)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sales proceeds credit as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	914	-	(914)	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,482	-	-	-	(3,482)
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							

Reversal of Major Repairs Allowance credit to the HRA	-	744	-	-	(744)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	744	-	(744)
<b><u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u></b>							
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	116	-	-	-	-	-	(116)
<b><u>Adjustments primarily involving the Pensions Reserve:</u></b>							
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)
<b><u>Adjustment primarily involving the Collection Fund Adjustment Account:</u></b>							
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
<b><u>Adjustment primarily involving the Accumulated Absences Account:</u></b>							
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
<b><u>Other adjustments:</u></b>	(825)	-	-	-	-	1,092	(267)
<b>Total Adjustments:</b>	<b>(133,485)</b>	<b>(153,090)</b>	<b>2,568</b>	<b>-</b>	<b>-</b>	<b>1,092</b>	<b>282,915</b>

## 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 2012/13.

	Balance 31/03/2011 £'000	Out 11/12 £'000	In 11/12 £'000	Balance 31/03/2012 £'000	Out 12/13 £'000	In 12/13 £'000	Balance 31/03/2013 £'000
<b>Corporate</b>							
<b>Redundancy Reserve</b>							
To cover future redundancy and related pension costs	2,117	(1,530)	2,742	3,329	(910)	750	3,169
<b>Insurance Reserve</b>							
To cover insurance costs based on actuarial assessments	3,059	0	1,162	4,221	(1,386)	503	3,338
<b>Government Reform and Funds Reductions</b>							
To address any unbudgeted implications of the Government's welfare reforms and reductions in the Early Intervention Grant.	0	0	0	0	0	1,693	1,693
<b>Other Corporate Reserves</b>							
Various reserves to develop the Council's business processes and ICT.	249	(249)	889	889	(794)	1,874	1,969
<b>Total Corporate Reserves</b>	<b>5,425</b>	<b>(1,779)</b>	<b>4,793</b>	<b>8,439</b>	<b>(3,090)</b>	<b>4,820</b>	<b>10,169</b>
<b>Environment and Planning</b>							
<b>Regeneration Reserve</b>							
Support for regeneration schemes.	492	0	0	492	(58)	0	434
<b>Waste Management</b>							
Funds set aside to contribute towards the waste service preparation Bedfordshire Energy and Recycling (BEaR) project.	0	0	0	0	0	449	449
<b>Pre-Application Service Development</b>							
To support technical expertise for Planning Performance Agreements.	0	0	200	200	(65)	153	288
<b>Other Environmental Reserves</b>							
Includes reserves to support open space development and community safety.	2,244	(1,279)	632	1,597	(237)	539	1,899
<b>Total Environment and Planning Reserves</b>	<b>2,736</b>	<b>(1,279)</b>	<b>832</b>	<b>2,289</b>	<b>(360)</b>	<b>1,141</b>	<b>3,070</b>
<b>Children's Services</b>							
<b>School Specific Contingency</b>							
Ringfenced Dedicated Schools Grant Funding	1,062	(162)	0	900	(92)	0	808



<b><u>Other Dedicated Schools Grant Funding</u></b>							
Grant funding held as reserve for schools	0	0	965	965	(920)	0	45
<b><u>Early Intervention Grant Funding</u></b>							
Grant funding received held as reserve	0	0	505	505	(505)	0	0
<b><u>Looked After Children</u></b>							
Funds set aside to provide for emerging budget issues in the review of the Council's Safeguarding role.	0	0	0	0	0	1,200	1,200
<b><u>Other Children's Services</u></b>							
Reserves to support Children's Services	250	(29)	1,200	1,421	(855)	443	1,009
<b>Total Children's Services Reserves</b>	<b>1,312</b>	<b>(191)</b>	<b>2,670</b>	<b>3,791</b>	<b>(2,372)</b>	<b>1,643</b>	<b>3,062</b>
<b><u>Social Care, Health and Housing Reserves</u></b>							
<b><u>Learning Disabilities Campus Closure</u></b>							
Reprovision of Learning Disabilities Services	744	(143)	0	601	(180)	0	421
<b><u>Deregistration of Care Homes</u></b>							
Costs associated with deregistration a national care home provider	583	(17)	0	566	(133)	0	433
<b><u>Outcome Based Commissioning</u></b>							
Project costs associated with efficiencies and service development.	0	0	347	347	(405)	3,125	3,067
<b><u>Step Up / Step Down</u></b>							
Grant funding reserved to fund a scheme to reduce unnecessary admissions to hospitals and support independent living.	0	0	674	674	(184)	0	490
<b><u>Other Social Care Health and Housing Reserves</u></b>							
Includes grant funding carried forward and funds set aside to fund Social Care initiatives	1,290	(84)	613	1,819	(1,342)	246	723
<b>Total Social Care Health and Housing Reserves</b>	<b>2,617</b>	<b>(244)</b>	<b>1,634</b>	<b>4,007</b>	<b>(2,244)</b>	<b>3,371</b>	<b>5,134</b>
<b>Total General Fund Earmarked Reserves</b>	<b>12,090</b>	<b>(3,493)</b>	<b>9,929</b>	<b>18,525</b>	<b>(8,066)</b>	<b>10,975</b>	<b>21,434</b>
<b><u>Housing Revenue Account (HRA) Earmarked Reserves</u></b>							
Business Process Re-engineering	47	(47)	0	0	0	0	0
Sheltered Housing Re-Provision	0	0	0	0	0	8,653	8,653
Strategic Reserve	0	0	0	0	0	1,284	1,284
<b>Total HRA Earmarked Reserves</b>	<b>47</b>	<b>(47)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,937</b>	<b>9,937</b>

### 9. Other Operating Expenditure

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Payments of precepts to Parishes	8,607	9,301
Levies payable	673	686
Payments to Housing Capital Receipts Government Pool	644	360
Loss on Disposal of non-current Assets - non-current tangible	141,517	80,701
Trading Accounts	0	490
<b>Total</b>	<b>151,441</b>	<b>91,538</b>

### 10. Financing and Investment Income and Expenditure

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Interest payable on debt	5,703	9,238
Interest element of finance leases (lessee)	77	60
Interest payable on PFI unitary payments	1,724	1,578
Pension interest costs	28,832	27,722
Expected return on pension assets	(20,991)	(16,228)
Interest and Investment Income	(1,125)	(986)
Changes in fair value of investment properties	(16,246)	633
Gain on disposals of investment properties	425	0
Rentals received on investment properties	(2,211)	(1,979)
Expenses incurred on investment properties	467	726
<b>Total</b>	<b>(3,345)</b>	<b>20,764</b>

### 11. Taxation and Non-Specific Grant Income

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Council Tax income	(136,659)	(137,489)
National Non-Domestic Rates (NNDR)	(38,638)	(47,069)
Revenue Support Grant (RSG) and non-ring fenced government grants	(15,145)	(4,142)
Recognised capital grants and contributions	(42,111)	(38,481)
<b>Total</b>	<b>(232,553)</b>	<b>(227,181)</b>

## 12. Property, Plant and Equipment: Movements on balances

2012/13	<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>£'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 1 April 2012	230,200	77,558	393,415	18,297	1,121	417	197,537	1,956	1,997	41,905	964,403
Reclassifications following reconciliation	73,355	(73,356)	(5,918)	(60)	0	0	0	0	0	(722)	(6,701)
Additions	6,645	5	14,090	618	0	0	20,676	39	0	9,643	51,716
Revaluation inc/(dec) rec in Revaluation Reserve	(136)	123	11,514	0	0	0	0	0	0	0	11,501
Revaluation inc/(dec) rec in surplus/deficit on provision of services	(2,529)	21	(4,713)	0	0	0	0	0	(613)	0	(7,834)
De-recognition - disposals	(1,038)	0	(81,015)	(305)	0	0	(91)	0	0	(4,066)	(86,515)
Assets reclass (to)/from Assets under Construction	0	0	5,648	29	0	0	19,022	0	0	(25,105)	(406)
Assets reclassified (to)/from Held for Sale	0	0	(3,097)	(5)	0	0	0	0	(75)	0	(3,177)
Accumulated depreciation w/o due to revaluation	(3,156)	(57)	(3,214)	0	0	0	0	0	0	0	(6,427)
Other Movements in cost or valuation	535	0	(535)	0	0	0	0	0	0	0	0
<b>As at 31st March 2013</b>	<b>303,876</b>	<b>4,294</b>	<b>326,175</b>	<b>18,574</b>	<b>1,121</b>	<b>417</b>	<b>237,144</b>	<b>1,995</b>	<b>1,309</b>	<b>21,655</b>	<b>916,560</b>
<u>Accumulated depreciation and impairment:</u>											
At 1st April 2012	0	(49)	(27,760)	(11,792)	(224)	(400)	(37,447)	(3)	(78)	0	(77,753)
Reclassifications following reconciliation	(5)	6	6,546	67	0	0	0	0	0	0	6,614
Depreciation charge in year	(3,158)	(79)	(8,737)	(1,750)	(224)	(17)	(6,600)	0	(31)	0	(20,596)
De-recognition - disposals	0	0	4,268	65	0	0	16	0	0	0	4,349
Assets reclassified (to)/from Held for Sale	0	0	51	2	0	0	0	0	7	0	60
Accumulated depreciation w/o due to revaluation	3,156	57	3,187	0	0	0	0	0	0	0	6,400
<b>As at 31 March 2013</b>	<b>(7)</b>	<b>(65)</b>	<b>(22,445)</b>	<b>(13,408)</b>	<b>(448)</b>	<b>(417)</b>	<b>(44,031)</b>	<b>(3)</b>	<b>(102)</b>	<b>0</b>	<b>(80,926)</b>
<u>Net book value:</u>											
at 31 March 2012	230,200	77,509	365,655	6,505	897	17	160,090	1,953	1,919	41,905	886,650
<b>at 31 March 2013</b>	<b>303,869</b>	<b>4,229</b>	<b>303,730</b>	<b>5,166</b>	<b>673</b>	<b>0</b>	<b>193,113</b>	<b>1,992</b>	<b>1,207</b>	<b>21,655</b>	<b>835,634</b>

Net book value as at 31 March 2012 is reduced by £86k in 2012/13 due to reclassifications following a detailed reconciliation of asset register.

2011/12 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>Communit y Assets</u>	<u>Surplus Assets</u>	<u>Assets under Constructi on</u>	<u>Total Property, Plant and Equipment (PPE)</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 1 April 2011	222,788	75,013	528,514	17,590	1,121	417	186,995	1,961	1,997	30,466	1,066,862
Additions	4,766	0	9,929	1,216	0	0	10,421	0	0	13,028	39,360
Revaluation inc/(dec) rec in Revaluation Reserve	(1,731)	407	10,609	0	0	0	0	0	0	0	9,285
Revaluation inc/(dec) rec in surplus/deficit on provision of services	7037	2978	(7,693)	0	0	0	0	0	0	0	2,322
De-recognition - disposals	(394)	0	(145,637)	(509)	0	0	0	(5)	0	0	(146,545)
De-recognition - other	0	0	0	0	0	0	0	0	0	(1,243)	(1,243)
Assets reclass (to)/from Assets under Construction	0	0	225	0	0	0	121	0	0	(346)	0
Assets reclassified (to)/from Held for Sale	0	0	(2,532)	0	0	0	0	0	0	0	(2,532)
Accumulated depreciation w/o due to revaluation	(2,266)	(840)	0	0	0	0	0	0	0	0	(3,106)
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0	0
<b>As at 31 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>
<u>Accumulated depreciation and impairment:</u>											
At 1 April 2011	0	(94)	(21,062)	(9,776)	0	(380)	(30,899)	(3)	(45)	0	(62,259)
Depreciation charge in year	(2,266)	(795)	(10,960)	(2,113)	(224)	(20)	(6,548)	0	(33)	0	(22,959)
Dep w/o to the Revaluation Reserve	2,266	840	0	0	0	0	0	0	0	0	3,106
De-recognition - disposals	0	0	4,166	97	0	0	0	0	0	0	4,263
Assets reclassified (to)/from Held for Sale	0	0	96	0	0	0	0	0	0	0	96
Accumulated depreciation w/o due to revaluation	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
<b>As at 31 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>(77,753)</b>
<u>Net book value:</u>											
at 31 March 2011	222,788	74,919	507,452	7,814	1,121	37	156,096	1,958	1,952	30,466	1,004,603
<b>at 31 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>886,650</b>

#### Depreciation:

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

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

#### Capital Commitments:

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £2.89m, similar commitments at 31 March 2012 were £9.163m. The major commitments are:

- Greenleas School - £1.047m
- All Saints Academy- £0.789m
- A5/M1 Link road - £1.053m

#### Effects of Changes in Estimates:

In 2012/13, 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 2013. 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 outgoing
- 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>Infra-structure</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets under Construction</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Carried at historical costs	0	0	0	5,165	673	191,811	1,991	0	0	199,640
Valued at fair value as at:										
31 March 2013	303,870	4,229	303,731	0	0	0	0	1,206	21,655	634,691
31 March 2012	230,200	77,509	365,655	0	0	0	0	1,919	41,905	717,188
31 March 2011	222,051	74,919	113,511	0	0	0	0	1,953	30,466	442,900
31 March 2010	737	0	393,941	0	0	0	0	0	0	394,678
<b>Total cost or valuation</b>	<b>303,870</b>	<b>4,229</b>	<b>303,731</b>	<b>5,165</b>	<b>673</b>	<b>191,811</b>	<b>1,991</b>	<b>1,206</b>	<b>21,655</b>	<b>834,331</b>

#### Heritage Assets:

The council does not have any financially material Heritage assets, therefore they are not separately disclosed.

#### 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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Rentals received on investment properties	(2,211)	(1,979)
Direct operating expenses arising from investment properties	467	726
<b>Net (gain) for fair value adjustment</b>	<b>(1,744)</b>	<b>(1,253)</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:

	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	<b>63,350</b>	<b>79,358</b>
Enhancement	97	84
Disposals	(429)	0
Net gain/(losses) from fair value adjustment	16,246	(633)
<b>Balance at year end</b>	<b>79,264</b>	<b>78,809</b>

#### 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 hardware within 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 are amortised on a straight-line basis. The amortisation of £0.5m charged to revenue in 2012/13 (£1.5m 2011/12) 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:

	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>		
Gross carrying amounts	12,210	14,615
Accumulated amortisation	(6,466)	(7,965)
<b>Net carrying amount at start of year</b>	<b>5,744</b>	<b>6,650</b>
Purchases	1,415	527
From Assets under construction	1,024	408
Disposals	(34)	0
<u>Reversals of past impairment losses written back to the surplus/(deficit) on the provision of services:</u>		
Amortisation for the period	(1,499)	(507)
<b>Net carrying amount at the year end</b>	<b>6,650</b>	<b>7,078</b>
<u>Comprising:</u>		
Gross carrying amounts	14,615	15,550
Accumulated amortisation	(7,965)	(8,472)
<b>Total</b>	<b>6,650</b>	<b>7,078</b>

There are no items of capitalised software that are individually material to the financial statements. No intangible assets were internally generated.

## 15. Financial Instruments

Categories of Financial Instruments:

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

	2011/12		2012/13	
	<u>Long term</u> <u>£'000</u>	<u>Current</u> <u>£'000</u>	<u>Long term</u> <u>£'000</u>	<u>Current</u> <u>£'000</u>
<b>Investments:</b>				
Loans and receivables	4,688	12,796	4,724	20,118
Available for sale financial assets	312	0	276	0
<b>Total Investments</b>	<b>5,000</b>	<b>12,796</b>	<b>5,000</b>	<b>20,118</b>
<b>Debtors:</b>				
Loans and receivables	1,143	40,232	1,117	39,741
<b>Total Debtors</b>	<b>1,143</b>	<b>40,232</b>	<b>1,117</b>	<b>39,741</b>
<b>Borrowings:</b>				
Financial liabilities at amortised cost	(313,678)	(5,038)	(306,225)	(8,792)
<b>Total Borrowing</b>	<b>(313,678)</b>	<b>(5,038)*</b>	<b>(306,225)</b>	<b>(8,792)*</b>
<b>Other long term liabilities:</b>				
PFI and finance lease liabilities	(18,005)	0	(17,409)	0
Liability related to defined benefit pension scheme	(249,620)	0	(303,822)	0
<b>Total other long term liabilities</b>	<b>(267,625)</b>	<b>0</b>	<b>(321,231)</b>	<b>0</b>
<b>Creditors:</b>				
Financial liabilities carried at contract amount	0	(51,137)	0	(33,850)
Finance Leases - fleet vehicles	0	(16)	0	0
Finance Leases - multi functional device printers	(355)	(371)	(132)	(371)
<b>Total creditors</b>	<b>(355)</b>	<b>(51,524)</b>	<b>(132)</b>	<b>(34,221)</b>
<b>Grand total</b>	<b>(575,515)</b>	<b>(3,534)</b>	<b>(621,471)</b>	<b>16,846</b>

\* includes accrued interest (2011/12 comparable £6,344k)

Cash and Cash Equivalents have not been including in the above table as they are disclosed separately in note 18.

Income, Expense, Gains and Losses:

2012/13	<u>Financial liabilities at amortised cost</u> <u>£'000</u>	<u>Financial Asset loans &amp; received</u> <u>£'000</u>	<u>Financial Assets available for sale</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Interest expense	9,432	0	0	9,432
<b>Total expense in (surplus)/deficit on the provision of services</b>	<b>9,432</b>	<b>0</b>	<b>0</b>	<b>9,432</b>
Interest income	0	(731)	(256)	(987)
<b>Net (gain)/loss for the year</b>	<b>9,432</b>	<b>(731)</b>	<b>(256)</b>	<b>8,445</b>



2011/12	<u>Financial liabilities at amortised cost</u> <u>£'000</u>	<u>Financial Asset loans &amp; received</u> <u>£'000</u>	<u>Financial Assets available for sale</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Interest expense	5,703	0	0	5,703
<b>Total expense in (surplus)/deficit on the provision of services</b>	<b>5,703</b>	<b>0</b>	<b>0</b>	<b>5,703</b>
Interest income	0	(882)	(243)	(1,125)
<b>Total income in (surplus)/deficit on the provision of services</b>	<b>0</b>	<b>(882)</b>	<b>(243)</b>	<b>(1,125)</b>
<b>Net (gain)/loss for the year</b>	<b>5,703</b>	<b>(882)</b>	<b>(243)</b>	<b>4,578</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>2011/12 Carrying amount</u> <u>£'000</u>	<u>2011/12 Fair Value</u> <u>£'000</u>	<u>2012/13 Carrying amount</u> <u>£'000</u>	<u>2012/13 Fair Value</u> <u>£'000</u>
Financial Liabilities	(320,022) <sup>3</sup>	(350,829)	(315,017) <sup>4</sup>	(357,990)
Long term creditors	(355)	(355)	(132)	(132)

	<u>2011/12 Carrying amount</u> <u>£'000</u>	<u>2011/12 Fair Value</u> <u>£'000</u>	<u>2012/13 Carrying amount</u> <u>£'000</u>	<u>2012/13 Fair Value</u> <u>£'000</u>
Loans and receivables	17,484	17,484	24,841*	24,841*
Long term debtors	1,143	1,143	1,117	1,117

\*excludes cash equivalents.

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.

<sup>3</sup> (£5,038k) short term borrowing + (£313,678k) long term borrowing + (£1,306k) interest accrual = (£320,022k)

<sup>4</sup> (£7,557k) short term borrowing + (£306,225k) long term borrowing + (£1,235k) interest accrual = (£315,017k)

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

The Council held £7.4m in a Call Account with Lloyds on 31 March 2013 which has been excluded from the Loans and Receivables above, as it is considered a Cash Equivalent.

#### 16. Inventories

The Council does not hold any inventory of financially material value.

#### 17. Debtors

	<u>2011/12</u>	<u>2012/13</u>
	<u>£'000</u>	<u>£'000</u>
Central government bodies	11,380	14,224
Other Local Authorities	6,308	3,562
NHS bodies	2,577	2,371
Public corporations and trading funds	3,453	6,770
Other entities and individuals	34,844	24,439
Impairment allowance for uncollectable debts	(2,942)	(3,274)
<b>Total</b>	<b>55,620</b>	<b>48,092</b>

#### 18. Cash and Cash Equivalents

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

	<u>2011/12</u>	<u>2012/13</u>
	<u>£'000</u>	<u>£'000</u>
Bank current accounts	35,875	15,905
Cash equivalents - liquid short term investment (overnight)	9,804	7,402
<b>Total Cash and Cash Equivalents</b>	<b>45,679</b>	<b>23,307</b>

#### 19. Assets Held for Sale

	<u>2011/12</u>	<u>2012/13</u>
	<u>£'000</u>	<u>£'000</u>
<b>Balance outstanding at start of year</b>	<b>855</b>	<b>2,961</b>
Assets newly classified as held for sale:		
Property, Plant & Equipment	2,961	3,117
Revaluation gains	0	7
Impairment losses	0	(245)
Assets declassified as held for sale:		
Property, Plant & Equipment	(525)	0
Assets sold	(330)	(3,117)
Other movements	0	(23)
<b>Balance outstanding at year end</b>	<b>2,961</b>	<b>2,700</b>

## 20. Creditors

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Central government bodies	(8,323)	(1,869)
Other Local Authorities	(13,088)	(4,067)
NHS bodies	(332)	(104)
Public corporations and trading funds	(7,443)	(1)
Other entities and individuals	(22,868)	(30,755)
Finance leases - fleet vehicles	(16)	(16)
Finance leases - multi functional devices printers	(371)	(371)
<b>Total</b>	<b>(52,441)</b>	<b>(37,183)</b>

## 21. Provisions

	<u>Outstanding</u> <u>legal cases</u> <u>£'000</u>	<u>Insurance</u> <u>Provision</u> <u>£'000</u>	<u>Other</u> <u>provisions</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<b>Balance outstanding at start of year</b>	<b>(478)</b>	<b>(2,769)</b>	<b>(466)</b>	<b>(3,713)</b>
Additional provisions made in year	(50)	(1,464)	(848)	(2,363)
Amounts used in year	190	1,183	81	1,454
Unused amounts reversed in year	115	114	212	441
<b>Balance outstanding at year end</b>	<b>(223)</b>	<b>(2,936)</b>	<b>(1,021)</b>	<b>(4,180)</b>

### Outstanding Legal Cases:

The Council provides for specific ongoing legal cases including contractual claims and disputed charges. Details of legal cases are not published as part of the statement of accounts to protect confidentiality.

### Insurance Provision:

The Council has a number of injury and compensation claims in progress 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.

The Insurance Provision also includes an amount for payments to Municipal Mutual Insurance (MMI) Limited. The company is in administration and under the Scheme of Arrangement; the company is able to trigger a claw back of payments made to Local Authorities in the event that it is unable to meet all the claims against it. In 2012/13 this scheme was triggered. As a result payments will therefore be due to MMI in future years and an estimate of this has been provided for.

### Other Provisions:

Other provisions relate to Local Land Charges and disputed payments relating to the provision of Social Care.

## 22. Usable Reserves

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

## 23. Unusable Reserves

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

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Revaluation Reserve (a)	(44,952)	(46,494)
Available for Sale Financial Instruments Reserve (b)	312	276
Capital Adjustment Account (c)	(561,001)	(483,292)
Financial Instruments Adjustment Account (d)	1,949	1,833
Pension Reserve (e)	249,620	303,829
Deferred Capital Receipts (f)	(72)	0
Collection Fund Adjustment Account (g)	1,581	1,105
Accumulating Compensated Absences Account (i)	8,309	3,435
	<b>(344,254)</b>	<b>(219,308)</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Balance at start of year</b>	<b>(50,019)</b>	<b>(44,952)</b>
Upward revaluation of assets	(15,704)	(12,209)
Downward revaluation of assets & impairment losses not charged to the (surplus) / deficit on the provision of services	6,421	709
(Surplus) / deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	(9,284)	(11,500)
Difference between fair value depreciation and historical cost depreciation	1,000	1,086
Accumulated gains on assets sold or scrapped	13,351	8,872
Amount written off to the Capital Adjustment Account	14,351	9,958
<b>Balance at year end</b>	<b>(44,952)</b>	<b>(46,494)</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Balance at start of year</b>	<b>398</b>	<b>312</b>
Upward revaluation of investments	13	0
Downward revaluation of investments not charged to the (surplus) / deficit on the provision of services	(99)	(36)
<b>Balance at year end</b>	<b>312</b>	<b>276</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Balance at 1st April</b>	<b>(828,163)</b>	<b>(561,001)</b>
Reversal of items relating to capital expenditure debits/credits to Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	22,958	20,637
Revaluation losses on Plant, Property & Equipment	13,594	9,323
Amortisation of intangible assets	1,499	507
Revenue expenditure funded from capital under statute	23,890	21,085
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	137,395	85,283
HRA self financing	164,995	0

Revaluations reversing previous revaluation losses	(15,761)	(1,251)
	348,570	135,584
Adjusting amounts written out of the Revaluation Reserve	(8,947)	(9,958)
Net written out amount of the cost of non-current assets consumed in the year	339,623	125,626
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(3,780)	(3,665)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,805)	0
Capital grants and contribution's credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(41,808)	(38,481)
Statutory provision for the financial of capital investment charged against the General Fund and HRA balances	(5,534)	(5,874)
Capital expenditure charged against the General Fund and HRA balances	(1,288)	(530)
	(56,215)	(48,550)
Movement in the market value of Investment Properties debits / credits to the Comprehensive Income and Expenditure Statement	(16,246)	633
<b>Balance at 31 March</b>	<b>(561,001)</b>	<b>(483,292)</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>2011/12</u>	<u>2012/13</u>
	<u>£'000</u>	<u>£'000</u>
<b>Balance at start of year</b>	<b>2,065</b>	<b>1,949</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(116)	(116)
<b>Balance at year end</b>	<b>1,949</b>	<b>1,833</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Balance at start of year</b>	<b>197,282</b>	<b>249,620</b>
Actuarial gains or losses on pensions assets and liabilities	55,218	48,436
Reversal items relating to retirement benefits debited / credited to the (surplus) / deficit on the provision of services in the Comprehensive Income and Expenditure Statement	14,519	20,851
Employers pensions contributions and direct payments to pensions payable in year	(17,399)	(15,078)
<b>Balance at year end</b>	<b>249,620</b>	<b>303,829</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Balance at start of year</b>	<b>(72)</b>	<b>(72)</b>
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	72
<b>Balance at year end</b>	<b>(72)</b>	<b>(0)</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Balance at start of year</b>	<b>1,292</b>	<b>1,581</b>
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	289	(476)
<b>Balance at year end</b>	<b>1,581</b>	<b>1,105</b>

h) 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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Balance at start of year</b>	<b>5,687</b>	<b>5,034</b>
Settlement or cancellation of accrual made at the end of the preceding year	(5,687)	(5,034)
<b>Balance at year end</b>	<b>8,309</b>	<b>3,435</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	2,622	(1,599)

The balance at the end of 2011/12 has been adjusted for in 2012/13 due to a correction to the annual leave accrual related to the prior year.

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<u>Surplus / (deficit) on the provision of services</u>	(276,561)	(67,139)
Depreciation and impairment	36,554	26,175
Amortisation	1,499	507
Movement in Pension Liability	2,880	(5,773)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	142,434	84,569
Other non-cash items charged to the net surplus on the provision of services	(1,987)	5,235
(Increase) / decrease in debtors	7,772	7,527
(Increase) / decrease in creditors	(3,807)	15,258
	184,345	133,498
<u>Adjustment for items that are Investing and Financial activities</u>		
Interest and investment income	4,694	8,253
Proceeds from Disposal of assets	(917)	(3,591)
Capital Grants Credited to surplus or deficit on the provision of services	(42,111)	(38,481)
	(38,334)	(33,819)
<b>Net cash flows from operating activities</b>	<b>(129,550)</b>	<b>32,540</b>

25. Cash Flow Statement - Investing Activities

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
--	--------------------------------	--------------------------------



Purchase of property, plant and equipment, investment properties and intangible assets	(41,799)	(52,326)
Purchase of short term and long term investments	1,177	(7,322)
Other payments for investing activities	(5,703)	(9,238)
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	917	3,591
Capital grants	51,758	35,521
Proceeds from short term and long term investments	28,740	986
Other receipts from investing activities	(23,890)	(21,085)
<b>Net cash flows from investing activities</b>	<b>11,200</b>	<b>(49,874)</b>

## 26. Cash Flow Statement - Financing Activities

	2011/12 £'000	2012/13 £'000
Other receipts from financing activities	9	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	(448)	0
Repayments of short term and long term borrowing	159,411	(5,038)
Other payments for financing activities	0	
<b>Net cash flows from financing activities</b>	<b>158,972</b>	<b>(5,038)</b>

## 27. 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	Corporate Services <sup>5</sup>	Social Care, Health & Housing	Sustainable Communiti es <sup>5</sup>	Corporate Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2012/13</b>						
Directorate Net Budget	32,914	29,017	55,586	47,421	14,011	178,949
Directorate expenditure:						
Employee Expenses	22,854	55,283	17,167	19,591	2,790	117,685
Other Service Expenses	43,983	102,678	68,754	39,478	11,634	266,527
<b>Total Expenditure</b>	<b>66,837</b>	<b>157,961</b>	<b>85,921</b>	<b>59,069</b>	<b>14,424</b>	<b>384,212</b>

<sup>5</sup> Previously titled "Customer & shared services Office of the Chief Executive".

Directorate Income:						
Fees, charges & other service income	(35,300)	(127,207)	(33,128)	(13,112)	(5,495)	(214,242)
Net Costs	31,537	30,754	52,793	45,957	8,929	169,970
Transfers to and (from) reserves	3,138	(1,526)	1,068	621	5,150	8,451
<b>Actual after Reserve Transfers</b>						<b>178,421</b>
<b>Surplus reported to management</b>						<b>528</b>
<b>2011/12</b>						
Directorate Net Budget	35,623	26,458	55,701	50,669	12,798	181,249
Directorate expenditure:						
Employee Expenses	25,126	24,173	17,087	19,837	2,639	88,862
Other Service Expenses	44,756	91,639	69,369	41,465	11,826	259,053
Total Expenditure	69,882	115,812	86,456	61,302	14,465	347,915
Directorate Income:						
Fees, charges & other service income	(37,838)	(89,046)	(33,844)	(12,370)	(4,041)	(177,139)
Net Costs	32,044	26,765	52,612	48,932	10,425	170,776
Transfers to and (from) reserves	2,259	1,082	2,147	(27)	4,518	9,979
<b>Actual after Reserve Transfers</b>						<b>180,755</b>
<b>Surplus reported to management</b>						<b>494</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.

	2011/12	2012/13
	£'000	£'000
<b>Net Expenditure in Directorate Analysis</b>	<b>180,755</b>	<b>178,421</b>
Items not included in Management reporting but included in Comprehensive Income and Expenditure Statement Net Cost of Services:		
HRA Self Financing (Exceptional Item)	164,995	0
HRA Balance	(11,907)	(9,564)
Depreciation, Amortisation and Impairment	29,091	23,448
Pensions charged to services	(6,150)	(5,728)
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	23,890	21,085
Accrual for Accumulated Absences	2,622	(4,874)
	202,541	24,367

Items included in Management reporting but not included in Comprehensive Income and Expenditure Statement Net Cost of Services:		
Earmarked Reserve Transfers	(9,979)	(8,451)
Interest Payable/Receivable	(6,379)	(5,912)
Statutory Provision for Financing Capital Investment	(5,534)	(5,874)
Other Movements	(386)	(533)
	<u>(22,278)</u>	<u>(20,770)</u>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>361,018</b>	<b>182,018</b>

Reconciliation to subjective analysis:

	<u>Directorate analysis</u>	<u>Amounts not reported to management</u>	<u>Amounts not included in Income &amp; Exp</u>	<u>Cost of services</u>	<u>Corporate amounts</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>2012/13</b>						
Fee, charges & other service income	(171,762)			(169,694)		(171,762)
Interest & Investment Income (note 10)	(987)		987	0	(987)	(987)
Income from Council Tax (note 34)				0	(137,489)	(137,489)
Government grants and contributions (note 34)	(41,493)			(41,493)	(89,692)	(131,185)
Expected return on pension assets (note 10)				0	(16,228)	(16,228)
Investment properties value, expenses and rents				0	(620)	(620)
<b>Total Income</b>	<b>(214,242)</b>	<b>0</b>	<b>987</b>	<b>(213,255)</b>	<b>(245,016)</b>	<b>(458,271)</b>
Employee expenses	117,685			117,685		117,685
Other service expenses	268,079	919	(14,858)	254,140	490	254,630
Support service recharges				0		0
Depreciation, amortisation and impairment		23,448		23,448		23,448
Interest payments (note 10)	6,899		(6,899)	0	10,876	10,876
Pension interest costs (note 10)				0	27,722	27,722
Precepts and Levies (note 9)				0	9,987	9,987
Payment to Housing Capital Receipts Pool (note 9)				0	360	360
Gain or loss on disposal of fixed assets (note 9)				0	80,701	80,701
<b>Total Expenditure</b>	<b>392,663</b>	<b>24,367</b>	<b>(21,757)</b>	<b>395,273</b>	<b>130,136</b>	<b>525,409</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>178,421</b>	<b>24,367</b>	<b>(20,770)</b>	<b>182,018</b>	<b>(114,880)</b>	<b>67,139</b>

	<u>Directorate analysis</u>	<u>Amounts not reported to management</u>	<u>Amounts not included in Income &amp; Exp</u>	<u>Cost of services</u>	<u>Corporate amounts</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>2011/12</b>						
Fee, charges & other service income	(133,903)			(133,903)		(133,903)
Interest & Investment Income (note 10)	(1,125)		1,125		(1,125)	(1,125)
Income from Council Tax (note 34)					(136,659)	(136,659)

Government grants and contributions (note 34)	(42,111)			(42,111)	(95,894)	(138,005)
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>(177,139)</b>	<b>0</b>	<b>1,125</b>	<b>(176,014)</b>	<b>(272,234)</b>	<b>(448,248)</b>
Employee expenses	88,862			88,862		88,862
Other service expenses	261,528	173,450	(15,899)	419,079		419,079
Depreciation, amortisation and impairment		29,091		29,091		29,091
Interest payments (note 10)	7,504		(7,504)		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>357,894</b>	<b>202,541</b>	<b>(23,403)</b>	<b>537,032</b>	<b>187,777</b>	<b>724,809</b>
<b>(Surplus) / deficit on the provision of services</b>	<b>180,755</b>	<b>202,541</b>	<b>(22,278)</b>	<b>361,018</b>	<b>(84,457)</b>	<b>276,561</b>

## 28. Trading Operations

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

		2011/12		2012/13	
		£'000	£'000	£'000	£'000
<b>Car Parks:</b>					
Parking management aims to support the local economy and facilitate development growth within Central Bedfordshire area.	Turnover	(1,302)		(1,336)	
Cumulative spend over 3 years: £3,338k	Expenditure	1,128		1,160	
	<b>(Surplus)/deficit</b>		<b>(174)</b>		<b>(175)</b>
<b>Albion Archaeology:</b>					
Provides a range of archaeological and other historic environment services to developers to facilitate sustainable growth and economic development within Central Bedfordshire area.	Turnover	(1,371)		(1,507)	
Cumulative spend over 3 years: £4,131k	Expenditure	1,369		1,825	
	<b>(Surplus)/deficit</b>		<b>(2)</b>		<b>318</b>
<b>Leighton Buzzard Theatre:</b>					
A theatre and cinema venue based in Leighton Buzzard.	Turnover	(172)		(210)	
Cumulative spend over 3 years: £1,024k	Expenditure	347		443	
	<b>(Surplus)/deficit</b>		<b>175</b>		<b>233</b>
<b>Building Control:</b>					
The processing of building regulation applications, site inspections and related fee earning activities.	Turnover	(601)		(672)	
Cumulative spend over 3 years: £1,741k	Expenditure	555		598	
	<b>(Surplus)/deficit</b>		<b>(46)</b>		<b>(74)</b>
<b>Community Buildings:</b>					
Rental and other income, and expenditure relating to Beecroft Centre in Dunstable.	Turnover	(3)		(4)	
Cumulative spend over 3 years: £0k	Expenditure	0		4	

			<b>(3)</b>		<b>0</b>
<b>Community Leases/Licenses:</b>					
Rental and other income, and expenditure relating to various land and property.	Turnover	(29)		(43)	
Cumulative spend over 3 years: £96k	Expenditure	22		40	
	<b>(Surplus)/deficit</b>		<b>(7)</b>		<b>(3)</b>
<b>Depots &amp; Storage Facilities:</b>					
Rental and other income, and expenditure relating to various depots and storage facilities.	Turnover	(57)		(36)	
Cumulative spend over 3 years: £23k	Expenditure	(58) <sup>6</sup>		0	
	<b>(Surplus)/deficit</b>		<b>(115)</b>		<b>(36)</b>
<b>Criminal Records Bureau:</b>					
An administration service to Central Bedfordshire Council, Schools and other external organisations.	Turnover	(200)		(127)	
Cumulative spend over 3 years: £453k	Expenditure	150		123	
	<b>(Surplus)/deficit</b>		<b>(50)</b>		<b>(4)</b>
<b>HEART supply Agency:</b>					
A supply agency of teachers and support staff to Schools.	Turnover	(95)		0	
Cumulative spend over 3 years: £483k	Expenditure	118		0	
	<b>(Surplus)/deficit</b>		<b>22</b>		<b>0</b>
<b>Schools HR:</b>					
A provision of HR services for schools.	Turnover	(451)		(128)	
Cumulative spend over 3 years: £1,488k	Expenditure	575		128	
	<b>(Surplus)/deficit</b>		<b>124</b>		<b>0</b>
<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	(666)		(46)	
Cumulative spend over 3 years: £1,899k	Expenditure	517		43	
	<b>(Surplus)/deficit</b>		<b>(149)</b>		<b>(3)</b>
<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	(30)		(22)	
Cumulative spend over 3 years: £703k	Expenditure	221		256	
	<b>(Surplus)/deficit</b>		<b>191</b>		<b>234</b>
<b>Ludun Sheltered Placement:</b>					
A supported workshop involved with wood machinery, wood treatment and picture framing.	Turnover	(64)		0	
Cumulative spend over 3 years: £1,263k	Expenditure	73		0	
	<b>(Surplus)/deficit</b>		<b>9</b>		<b>0</b>
<b>Net (surplus) / deficit on trading operations</b>			<b>(26)</b>		<b>490</b>

## 29. 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 2012/13 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

<sup>6</sup> The (£58k) total expenditure includes a (£59k) rebate, hence negative expenditure.

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>2011/12</u>		<u>2012/13</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Funding provided to the pooled budget:				
Central Bedfordshire Council	(426)		(448)	
Bedford Borough Council	(268)		(291)	
NHS Bedfordshire	(1,317)		(1,435)	
<b>Total Funding</b>		<b>(2,011)</b>		<b>(2,174)</b>
Expenditure met from the pooled budget:				
Luton Borough Council	0		0	
Central Bedfordshire Council	2,011		2,174	
Bedford Borough Council	0		0	
NHS Bedfordshire	0			
<b>Total Expenditure</b>		<b>2,011</b>		<b>2174</b>

### 30. Members' Allowances

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

	<u>2011/12</u>	<u>2012/13</u>
	<u>£'000</u>	<u>£'000</u>
Salaries	986	942
Allowances	6	3
Employers National Insurance	76	72
Pension Contributions	64	77
Expenses	126	130
<b>Total</b>	<b>1,258</b>	<b>1,224</b>

### 31. Officers' Remuneration

Senior Officers are defined by the Authority as any officer at Director level or above, plus the Section 151 and Monitoring Officer. During 2012/13, this classification included the:

- Chief Executive
- Four Directors
- The Section 151 Officer
- Monitoring Officer

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

	<b>Salary, Fees &amp; Allowances</b>	<b>Expenses &amp; Other Payments</b>	<b>Total Remuneration Excluding Pension contributions</b>	<b>Pension Contributions</b>	<b>Total</b>
Richard Carr – Chief Executive					
2012/13	181,331	1,062	182,393	39,705	222,098
2011/12	184,213	897	185,110	40,110	225,220

Edwina Grant – Deputy Chief Executive 2012/13 2011/12	153,904 155,987	598 1,964	154,502 157,951	33,641 33,984	188,143 191,935
Gary Alderson – Director of Sustainable Communities 2012/13 2011/12	130,340 100,150	440 199	130,780 100,349	28,544 21,789	159,324 122,138
Julie Ogley – Director social Care, Health & Housing 2012/13 2011/12	140,561 142,615	613 474	141,174 143,089	30,783 31,097	171,957 174,186
Charles Warboys – S151 Officer 2012/13 2011/12	89,082 67,092	1,170 676	90,252 67,768	19,509 14,634	109,761 82,402
John Atkinson – Monitoring Officer 2012/13 2011/12	70,903 72,057	572 838	71,475 72,895	15,528 15,675	87,003 88,570
Alan Fleming – Service Director Business Services 2012/13 (Jun-Oct 2011) 2011/12	101,457 103,619	1,814 1,326	103,271 104,945	22,788 22,549	126,059 127,494
Richard Ellis – Director of Customer & Shared Services 2012/13 (Apr-July 2011) 2011/12	0 40,777	0 88,137	0 128,914	0 8,848	0 137,762
<b>Total 2012/13 2011/12</b>	<b>867,578 866,510</b>	<b>6,269 94,511</b>	<b>873,848 961,021</b>	<b>190,498 188,686</b>	<b>1,064,345 1,149,707</b>

Remuneration will be less than in 2011/12 due to a full year's effect of the 2% salary reduction introduced in October 2011.

Alan Fleming was Acting Director of Sustainable Communities from June – October 2011.

Charles Warboys commenced employment with Central Bedfordshire Council mid-June 2011.

Deb Clarke has been the Interim Assistant Chief Executive of People & Organisation since 1<sup>st</sup> August 2011, prior to which she held another role in the Authority. As at 31<sup>st</sup> March 2013 Deb Clarke was not an employee of the Authority, but provided services under an interim management contract. The cost to the Authority for this post in 2011/12 was £119K (60k for prior post from April to July 2011) and for 2012/13 the cost was £170k. This comprised 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>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</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	78	51	11	9
£55,000-£59,999	41	31	5	17
£60,000-£64,999	35	40	9	18
£65,000-£69,999	19	8	3	5
£70,000-£74,999	8	6	3	5
£75,000-£79,999	5	4	3	3
£80,000-£84,999	7	4	1	3
£85,000-£89,999	4	5	0	3
£90,000-£94,999	1	2	1	0
£95,000-£99,999	1	0	2	0
£100,000-£104,999	0	1	0	5
£105,000-£109,999	0	0	0	0
£110,000-£114,999	0	2	0	1
£115,000-£119,999	0	0	0	1
£120,000-£124,999	0	0	0	0
£125,000-£129,999	0	0	0	0
£130,000-£134,999	0	0	0	0
£135,000-£139,999	0	0	1	1
£140,000-£144,999	0	0	1	1
£145,000-£149,999	0	0	1	1
<b>Total</b>	<b>199</b>	<b>154</b>	<b>41</b>	<b>73</b>

This table above includes redundancy costs for employees who have now left the Council's employment.

**Exit Packages:**

The total cost of £1.3m in the table below includes all exit packages that have been agreed, accrued for and charged to the Authority's Comprehensive Income & Expenditure Statement for the current year. The Authority's Comprehensive Income & Expenditure Statement does not include any provision for exit packages, however there is an earmarked reserve established for this purpose.

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)	Total number of compulsory redundancies by cost band		Total cost of exit packages in each band (£'000)	
	2011/12	2012/13	2011/12	2012/13
£0 - £20K	156	54	963	416
£20 - £40K	30	13	813	342
£40 - £60K	13	2	632	94
£60 - £80K	5	2	333	139
£80 - £100K	1	3	88	266
£100 - £150K	1	0	114	0
<b>Total</b>	<b>206</b>	<b>74</b>	<b>2,943</b>	<b>1,257</b>



### 32. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims:

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Fees payable to Audit Commission with regard to external audit services carried out by appointed auditor for the year	308	185
Fees payable to Audit Commission for certification of grant claims and returns for the year	85	55
Less: Rebates received from the Audit Commission	<b>(25)</b>	<b>(20)</b>
<b>Total</b>	<b>368</b>	<b>220</b>

### 33. Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements were £13,042k at 31 March 2013 (£10,240k 2011/12), which is carried forward into 2013/14.

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 a 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 2012/13 was used are as follows:

<u>Schools budgets funded from DSG:</u>	<u>Central</u> <u>Expenditure</u> <u>£'000</u>	<u>Individual</u> <u>Schools</u> <u>Budgets</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Final DSG for 2012/13			105,215
Brought forward from 2011/12			1,849
Carry forward to 2013/14 agreed in advance			0
Agreed budgeted distribution in 2012/13	11,343	94,134	107,064
Actual central expenditure	11,432	0	0
Actual ISB deployed to Schools	0	95,041	0
Council contribution for 2012/13	0	0	262
<b>Carry forward to 2013/14</b>	<b>(89)</b>	<b>(907)</b>	<b>853</b>
<u>Reserves:</u>			
Brought forward from 2011/12			1,849
Spend in 2012/13			(1,332)
Balance			517
Increase from DSG under spend			336
<b>Balance at year end 2012/13</b>			<b>853</b>
Net increase/(decrease) on reserves			(996)

### 34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Credited to taxation and non specific grant income:</b>		
Council Tax	(136,659)	(137,489)
NNDR	(38,638)	(47,069)
RSG and non-ring fenced govt grants	(15,145)	(4,142)
Recognised capital grants and contributions		
Section 106	(1,793)	(2,315)
Section 278	(1,580)	(2,794)
Devolved Formula Capital	(2,208)	(1,300)
Sure Start	0	0
University Technology College	0	(6,620)
Disabled Facilities Grant	0	(781)
Standards Fund	(3,825)	0
Structural Maintenance	0	(3,920)
Modernisation	(1,477)	0
Integrated schemes	(5,326)	(1,431)
All Saints Academy funding	(7,565)	(6,775)
Basic Needs Grant	(2,132)	(4,348)
Schools Capital Maintenance	(2,617)	(4,358)
Growth Area Funding	(6,889)	0
NHS Campus Closure	(1,803)	(1,211)
Community Development - Dunstable	(1,686)	0
Others (individually less than £1m)	(3,210)	(2,627)
Total	(42,111)	(38,481)
<b>Total</b>	<b>(232,553)</b>	<b>(227,181)</b>

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Credited to services:</b>		
Dedicated Schools Grant	(143,620)	(105,477)
Housing Benefit Subsidy	(73,446)	(77,366)
Standards Fund	(2,870)	0
ISB Related YPLA	(11,927)	(4,365)
Learning Disability & Health Reform	(9,841)	(10,091)
Early Intervention Grant	(8,980)	(9,802)
Sure Start Early Years and Childcare	(54)	0
School Standards Grant	0	0
NHS Grant	(2,252)	(2,160)
Housing Benefit Administration	(1,510)	(1,470)
Adult & Community Learning	(1,488)	(1,456)
Pupil Premium	(1,483)	(2,210)
New Homes	(1,121)	(2,903)
Drug & Alcohol Misuse	(707)	(341)
Other Grants (individually less than £1m)	(5,944)	(6,694)
<b>Total</b>	<b>(265,243)</b>	<b>(224,336)</b>

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Capital Grants receipts in advance:</b>		
Devolved Formula Capital (Department for Education)	(2,048)	(1,207)
NHS Campus Closure (Department of Health)	(5,625)	(4,802)
Basic Need Grant	(8,389)	(13,727)
All Saints Grant	(6,726)	(789)
A5/M1 link road (Department for Transport)	0	(1,053)

Education Capital Maintenance Grant	(3,920)	(2,795)
Growth Area Fund	(1,597)	0
Other grants (no individual grants over £1m)	(6,010)	(4,510)
Section 106	(18,870)	(22,609)
Section 278	(1,580)	(3,409)
Other contributions	(1)	0
<b>Total</b>	<b>(54,766)</b>	<b>(54,901)</b>

### 35. 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 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 34.

Members:

There are 59 members of the Council in total (59 as at 31/03/2012) who have direct control over the Council's financial and operating policies.

The total of members' allowances paid in 2012/13, are shown in Note 30.

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 2012/13 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	2012/13 Expenditure by the Council
D. Bowater	South Essex Partnership Trust	Governor	£2,840,128.78
R. Drinkwater	Aragon Housing Association	Member	£708,970.78
R. Egan & P. Hollick	South Beds Dial a Ride	Member	£143,882.01

Senior Officers:

Senior Officers are defined as per Note 31.

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 29.

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.

**36. 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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Opening capital financing requirement</b>	<b>203,807</b>	<b>374,571</b>
Capital investment:		
Property, plant and equipment	39,360	51,715
Investment properties	97	84
Intangible assets	1,415	527
Revenue funded from capital under statute	23,890	21,085
Debt as a result of HRA self financing	164,995	
Sources of finance:		
Capital receipts	(3,780)	(3,665)
Government grant and other contributions	(41,808)	(38,481)
Major Repairs Allowance	(3,805)	0
Sums set aside from revenue:		
Direct revenue contributions	(1,288)	(528)
Minimum Revenue Provision / loans fund principal	(5,534)	(5,874)
Other movements	(2,778)	0
<b>Closing Capital Financing Requirement</b>	<b>374,571</b>	<b>399,434</b>
Explanation of movement in year:		
Increase in underlying need to borrow (supported)	0	0
Increase in underlying need to borrow (unsupported)	5,769	24,863
Borrowing to support HRA self financing	164,995	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>170,764</b>	<b>24,863</b>

The Opening 2011/12 capital finance requirement has been restated to include assets held for sale.

### 37. 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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Vehicles, Plant, Furniture and Equipment:		
Fleet vehicles	17	0
Multi-functional devices	897	673
<b>Total</b>	<b>914</b>	<b>673</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<u>Finance leases liabilities (net present value of minimum lease payments)</u>		
Current	(239)	(241)
Non-current	(502)	(261)
Finance costs payable in future years	(123)	(63)
<b>Minimum lease payments</b>	<b>(864)</b>	<b>(565)</b>

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

	<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>£'000</u>	<u>Minimum</u> <u>Lease</u> <u>Payments</u> <u>2012/13</u> <u>£'000</u>	<u>Finance</u> <u>lease</u> <u>Liabilities</u> <u>£'000</u>
Not later than one year	(299)	(239)	(283)	(241)
Later than one year and not later than five years	(565)	(502)	(283)	(261)
<b>Total</b>	<b>(864)</b>	<b>(741)</b>	<b>(566)</b>	<b>(502)</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Not later than one year	295	273
Later than one year and not later than five years	776	560
Later than five years	504	504
<b>Total</b>	<b>1,575</b>	<b>1,337</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Not later than one year	1,377	1,594
Later than one year and not later than five years	1,153	1,074
Later than five years	1,817	3,648
<b>Total</b>	<b>4,347</b>	<b>6,316</b>

#### 38. 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 £4.05m in 2012/13 (4.13m in 2011/12) and is subject to increases linked to the Retail Price Index (RPI) until the contract expires on 31 December 2035. Estimated indexed payments due to be made under the PFI arrangements are as follows:

	<u>Payment for</u> <u>service</u>	<u>Reimburse-</u> <u>ment of</u> <u>capital</u> <u>expenditure</u>	<u>Interest</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Payable in 2013/14	1,957	589	1,579	4,125

Payable within 2 to 5 years	8,689	2,257	6,371	17,317
Payable within 6 to 10 years	12,478	3,124	8,070	23,672
Payable within 11 to 15 years	14,065	3,665	8,515	26,245
Payable within 16 to 20 years	16,329	3,996	8,889	29,214
Payable within 20 to 25 years	9,304	3,778	6,059	19,141
<b>Total</b>	<b>62,822</b>	<b>17,409</b>	<b>39,483</b>	<b>119,714</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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Balance outstanding at start of year	18,453	18,005
Payments during the year	(448)	(596)
<b>Balance outstanding at year end</b>	<b>18,005</b>	<b>17,409</b>

### 39. Capitalisation of Borrowing Costs

The Council has not capitalised borrowing costs during the 2012/13 financial year.

### 40. Termination Benefits

The Authority terminated the contracts of 74 employees in 2012/13, incurring direct redundancy costs of £1.3M (260 and £2.1M in 2011/12). These have been incurred as part of the Authority's drive to reduce operating costs.

Of this total, £85K was payable to the Director of Sustainable Communities in the form of compensation for loss of office as disclosed in Note 31. Of the remaining sum, the following redundancies were made as part of the Authority's rationalisation of the Services:

- £491K paid to 27 officers in Children's Services
- £418K paid to 24 officers in Corporate Services
- £201K paid to 18 officers in Sustainable Communities
- £61K paid to 4 officers in Adult Social Care

### 41. 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 2012/13, the Council paid:

- £1.6m from the Authority's payroll system (£7.0m 2011/12)
- £1.1m from Other payroll providers (£2.2m 2011/12).

to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.2% of pensionable pay (14.2% 2011/12). 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 42.

#### 42. 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:

The cost of retirement benefits in the Comprehensive Income and Expenditure Statement are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge recognised 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>2011/12</u>	<u>2012/13</u>
	<u>£'000</u>	<u>£'000</u>
<u>Cost of services:</u>		
Current service costs	12,433	11,731
Past service costs	145	0
Settlements and curtailments	(4,570)	(2,374)
<u>Financing and Investment Income and expenditure:</u>		
Interest cost	28,832	27,722
Expected return on scheme assets	(20,991)	(16,228)
Total post-employment benefits charged to the (surplus) / deficit on the provision of services	15,849	20,851
<u>Other Post-employment benefits charged to Comprehensive</u>		



<u>Income and Expenditure Statement:</u>		
Actuarial gains / (loss)	(55,218)	(48,436)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	(39,369)	(27,585)
<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	15,849	20,851
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>		
Employers contributions payable to scheme	17,399	13,739

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £195.2m (£146.8m loss to 31 March 2012).

Assets and Liabilities in Relation to Post-employment Benefits:

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

	<b>Funded &amp; Unfunded liabilities</b>	
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance at 1st April	533,503	581,836
Current service costs	12,433	11,731
Interest cost	28,832	27,722
Contributions by scheme participants	4,582	4,048
Actuarial gains and losses	33,308	66,610
Benefits paid	(17,768)	(16,392)
Past service costs	145	0
Curtailments	1,038	221
Settlements	(14,239)	(6,233)
<b>Closing balance at 31 March</b>	<b>581,834</b>	<b>669,543</b>

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

	<b>Funded</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Unfunded</b>
	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 April	515,338	18,167	562,797	19,039
<b>Closing balance at 31 March</b>	<b>562,795</b>	<b>19,039</b>	<b>649,350</b>	<b>20,193</b>
<b>Closing balance at 31 March Total</b>	<b>581,834</b>		<b>669,543</b>	

Reconciliation of fair value of the scheme assets:

	<b>Funded &amp; Unfunded</b>	
	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance at 1st April	336,223	332,216
Expected rate of return	20,991	16,228
Actuarial gains and losses	(21,910)	18,174
Employer contributions	17,399	13,739
Contributions by scheme participants	4,582	4,048
Benefits paid	(16,438)	(15,053)
Settlements	(8,631)	(3,639)
<b>Closing balance at 31 March</b>	<b>332,216</b>	<b>365,713</b>

The actual income from / return on scheme assets in the year was £34.4m (£0.8m in 11/12)

Scheme History:

	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<u>Present value of liabilities:</u>				
Funded & Unfunded	(678,476)	(533,505)	(581,836)	(669,543)
Fair Value of assets in the Local Government Pension Scheme	352,121	336,223	332,216	365,713
<u>Surplus/(deficit) in the scheme:</u>				
Funded & Unfunded	(326,355)	(197,282)	(249,620)	(303,830)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of (£669.5m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of (£303.8m). 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 Authority in the year to 31 March 2014 is £15.3m.

The principal assumptions used by the actuary have been:

	<b>Funded &amp; Unfunded</b>	
	<b>2011/12</b>	<b>2012/13</b>
<u>Long term expected rate of return on assets in the scheme:</u>		
Equity investments	6.3%	4.5%
Bonds	3.3%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
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	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	4.9%	4.5%
Rate of discounting scheme liabilities	4.8%	4.5%
Take up of option to convert annual pension into retirements lump sum	50%	50%

*The expected rates of return in respect of 12/13 are set equal to the discount rate (as per the forthcoming revised version of IAS19).*

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

	<u>2011/12</u>	<u>2012/13</u>
	%	%
Equity investments	49.0	70
Bonds	24.0	19
Property	9.0	8
Cash	18.0	3
	<b>100%</b>	<b>100%</b>

History of Experience Gains and Losses:

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
	%	%	%	%
Difference between the expected and actual return on assets	(16.90)	(1.04)	6.57	13.84
Experience gains and losses on liabilities	0.16	(10.09)	1.56	0.05

#### 43. Contingent Liabilities

At 31 March 2013, the Council was aware of the following legal events that could lead to future legal claims, these are in relation to:

- 1 claim for unpaid invoices relating to a group arranged by Local Authorities to deal with reductions in carbon targets.
- 2 contracts issues: One relating to a school photocopier contract and the other to a domiciliary care contractor.
- 1 claim for remedial works for alleged damage to private land.

Although no official claims have been logged with the courts, negotiations on these cases are ongoing and expectations are that these will not result in a financial liability. Prudent estimates of the possible financial effect cannot be provided in these instances.

Municipal Mutual Insurance (MMI) Limited - This relates to a claw-back of funds by MMI to cover claims relating to diseases. As per MMI's Scheme of Arrangement, the organisation can claw-back funds from Local Authorities if MMI is unable to meet all claims against it. This scheme was triggered in the 2012/13 financial year with a Levy rate of 15% of the value of total claims payments. The Council has included MMI within provisions it has made to reflect the likely payments the Council will have to make to MMI. However, there is a possibility that the level of claims will exceed those anticipated and that the Council could in future face a higher liability in this regard than the amount already calculated.

#### 44. Contingent Assets

At 31 March 2013, the Council is not aware of any contingent assets.

#### 45. 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 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). The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The limits for new specified investments and credit criteria in respect of financial assets held by the Council are detailed on the Council's website:

<http://www.centralbedfordshire.gov.uk/council-and-democracy/strategies-and-policies/default.aspx>

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 Council's 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 2013 that this risk 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>31/03/2013</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</u>	<u>Estimate max exposure as 31st March £'000</u>
	<u>A</u>	<u>B</u>	<u>C</u>	<u>(A*C)</u>	
Investments	27,520	0.0%	0.00%	0	0
Customers	14,165	0.9%	1.00%	142	142
<b>Total</b>	<b>41,865</b>	<b>-</b>	<b>-</b>	<b>142</b>	<b>142</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 £14.2m customer balances is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<u>2011/12 £'000</u>	<u>2012/13 £'000</u>
Less than 3 months	13,239	10,107
Three months to one year	2,998	1,906
More than a year	1,640	2,152
<b>Total</b>	<b>17,877</b>	<b>14,165</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 (PWLB). 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:

	2011/12	2012/13
	£'000	£'000
Less than one year	5,038	7,557
Between one and two years	7,557	16,373
Between two and five years	32,432	16,058
Between five and ten years	44,995	46,569
Between ten and 25 years	154,649	153,074
More than 25 years	75,916	75,916
<b>Total</b>	<b>320,587</b>	<b>315,547</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 the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk and aims 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 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2012/13 £'000
Increase in interest payable on variable rate borrowing	806
Increase in interest receivable on variable rate investments *	(367)
Increase in government grant receivable for financing costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>439</b>
Share of overall impact debited to the HRA	263
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)	(36,187)

\* based upon investments and cash / cash equivalents

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 units 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 2012/13 (actual cumulative unrealised losses for the Lime Fund, currently stand at 31/03/2013 at £276k).

#### 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.

#### 46. 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>2012/13</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.	(592)	351	663	(284)
<b>Total</b>	<b>(592)</b>	<b>351</b>	<b>703</b>	<b>(284)</b>

<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> 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	(29)	17	133	(10)
<b>Total</b>	<b>(29)</b>	<b>17</b>	<b>173</b>	<b>(10)</b>



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

<u>2011/12</u> <u>£'000</u>	Note	<u>2012/13</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Expenditure</b>			
4,224		5,164	
5,039		5,213	
158		4,162	
9,893		0	
(6,955)	7	5,744	
80		106	
123		113	
164,995		0	
<u>177,557</u>			<u>20,502</u>
<b>Income</b>			
(22,610)		(24,107)	
(210)		(492)	
(805)		(824)	
(845)		(769)	
<u>(24,470)</u>			<u>(26,192)</u>
<b>153,087</b>			<b>(5,690)</b>
<b>Net Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement</b>			
90			103
<u>HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to specific Services</u>			
10			0
<u>100</u>			<u>103</u>
<b>153,187</b>			<b>(5,587)</b>
<b>Net Expenditure of HRA Services</b>			
<u>HRA share of Operating Income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement</u>			
(547)			278
(186)			(100)
519	9		558
<u>(214)</u>			<u>736</u>
<b>152,973</b>			<b>(4,851)</b>
<b>(Surplus) / Deficit for the Year on HRA services</b>			

**MOVEMENT ON THE HRA STATEMENT**

<u>2011/12</u> <u>£'000</u>		<u>Note</u>	<u>2012/13</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
3,742	HRA Balance at the end of the previous reporting period			3,905
(152,974)	Surplus / (Deficit) on HRA Income and expenditure Statement		4,851	
	<u>Adjustments between accounting basis and funding basis under regulations</u>			
(10,016)	Difference between any other item of Income and expenditure determined in accordance with Code and determined in accordance with statutory HRA requirements		5,744	
(547)	(Gains) / Loss on sale of HRA assets		278	
112	HRA share of contributions to / from the Pensions Reserve		396	
(664)	Capital expenditure funded by the HRA	4	0	
164,995	HRA self financing 2011/12 payment to the Secretary of State			
<b>906</b>	<b>Net Increase / (Decrease) before transfers to / from reserves</b>			<b>11,269</b>
	<u>Transfers to / from reserves</u>			
(744)	Transfer (to)/from the Major Repairs Reserve	3	(3,237)	
0	Transfer to the Sheltered Housing Re-Provision Reserve		(8,653)	
0	Transfer to the Strategic Reserve		(1,284)	
(744)				(13,174)
163	Increase / (Decrease) in year on the HRA			(1,905)
<b>3,905</b>	<b>HRA Balance at the end of the current reporting period</b>			<b>2,000</b>

### HRA 1. Housing Stock

<u>Property Type</u>	<u>Stock at 01/04/2012</u>	<u>Additions</u>	<u>Sales</u>	<u>Deleted / Demolished</u>	<u>Stock at 31/03/2013</u>
Low rise flats	1,295	7	(1)	(0)	1,301
Medium rise flats	506	0	(1)	(0)	505
High rise flats	0	0	(0)	(0)	0
Houses & Bungalows	3,398	1	(17)	(1)	3,381
<b>Total</b>	<b>5,199</b>	<b>8</b>	<b>(19)</b>	<b>(1)</b>	<b>5,187</b>

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

<u>Operational Assets</u>	<u>Value at 01/04/2012 £'000</u>	<u>Value at 31/03/2013 £'000</u>
Council dwellings	230,200	303,870
Other land & buildings- HRA	77,509	4,229
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>307,709</b>	<b>308,099</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 £590m (2011/12 £571m)

### HRA 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>2011/12 £'000</u>	<u>2012/13 £'000</u>
Balance at 1 <sup>st</sup> April	(200)	(200)
Total Depreciation on all HRA assets	(3,061)	(3,237)
Depreciation less than the Major Repairs Allowance transferred to HRA	(744)	0
Expenditure in year	3,805	0
<b>Balance at 31 March</b>	<b>(200)</b>	<b>(3,437)</b>

#### HRA 4. Capital Expenditure and Financing

The Council spent £6.7m on HRA capital projects in 2012/13 (2011/12 £4.8m) This spending was financed from the following sources:

<u>Source of Finance</u>	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Major repairs allowance	3,805	0
Capital Expenditure funded from revenue	664	0
Capital Receipts	297	298
Supported Borrowing	0	6,352
<b>Total</b>	<b>4,766</b>	<b>6,650</b>

#### HRA 5. Capital Receipts

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

<u>Asset Type</u>	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Sale of Council houses	867	1,316
Right to buy discount repaid	6	0
Principal repayments on mortgage	12	6
Sale of land	68	0
<b>Total</b>	<b>953</b>	<b>1,322</b>

#### HRA 6. Capital Charges

The net capital charge to or from the HRA is known as the Item 8 Credit and the Item 8 Debit (General) Determination. The charge is based on the HRA capital financing requirement (CFR). It is calculated as the CFR multiplied by the year's average interest rate for PWLB loans if the CFR is positive or by the average interest rate obtained by the Council on its investments. In 2011/12 and 2012/13 the HRA CFR was negative so the latter method was used as follows:

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
HRA investment income	(125)	(49)
Interest on cash balances & mortgages	(61)	(51)
<b>Total</b>	<b>(186)</b>	<b>(100)</b>

#### HRA 7. Depreciation and Impairment

Depreciation and impairment is only charged to the HRA in respect of operational assets. The charges for 2012/13 were as follows:

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
	Restated*	
<u>HRA assets- depreciation:</u>		
Council dwellings	2,266	3,158

Other land & buildings- HRA	795	79
<u>HRA assets – (revaluation)/ impairment:</u>		
Council dwellings	(7,037)	2,529
Other land & buildings- HRA	(2,978)	(21)
<b>Total</b>	<b>(6,955)</b>	<b>5,745</b>

\*Amounts restated following detailed reconciliation following asset register review in 2012/13.

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 8. Rent Arrears

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Current tenant arrears	571	544
Former tenant arrears	315	296
<b>Gross Rent Arrears</b>	<b>886</b>	<b>840</b>
Bad debt provision	(395)	(380)
<b>Total</b>	<b>491</b>	<b>460</b>

#### HRA 9. 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>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Current service costs & unfunded (within expenditure)	735	505
Past service costs	10	0
Pension interest costs	1,908	1,346
Expected return on assets	(1,389)	(788)
<b>Net change to Income and expenditure account</b>	<b>1,264</b>	<b>1,063</b>
Statement of movement in the HRA balance:		
Reversal of net charges made for retirement benefits	(2,415)	(396)
<b>Employers contribution payable to the scheme (within expenditure)</b>	<b>(1,151)</b>	<b>667</b>

**THE COLLECTION FUND STATEMENT**

<u>2011/12</u> <u>£'000</u>	<u>Note</u>	<u>2012/13</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<u>Income</u>			
141,654		144,253	
16,565		16,542	
(3)		0	
72,708	3	73,169	
<u>230,923</u>			<u>233,965</u>
<u>Expenditure</u>			
Precepts and Demands (in year)			
136,659		137,643	
13,992		14,670	
7,968		8,197	
<u>158,619</u>			<u>160,510</u>
Business Rates:			
72,388		72,852	
320		317	
<u>72,708</u>			<u>73,169</u>
Bad and doubtful debts:			
288		379	
322		87	
610			466
(661)	4		(735)
<b>(353)</b>			<b>554</b>
<b>(1,514)</b>			<b>(1,866)</b>
<b>(1,866)</b>	4		<b>(1,312)</b>

### CF 1. Introduction

The Collection Fund is required by statute 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 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 2012/13 the tax base was calculated as follows:

<u>Tax Band</u>	<u>Property by Band</u>	<u>Weighting Factor</u>	<u>Band D Equivalent 2012/13</u>	<u>Band D Equivalent 2011/12</u>
A	9,454	6/9	6,303	6,214
B	22,315	7/9	17,356	17,183
C	31,262	8/9	27,788	27,508
D	20,279	9/9	20,279	20,014
E	14,128	11/9	17,268	17,114
F	7,484	13/9	10,810	10,674
G	4,430	15/9	7,383	7,328
H	333	18/9	666	660
	109,685		107,853	106,695
	Less: other adjustments (discounts / appeals etc)		9,883	9,561
			97,970	97,134
	Less: adjustment for collection rate (0.5%)		(490)	(486)
	Tax Base		97,480	96,649

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: 2012/13: £128,342,891 / 97,481 = £1,316.59p (2011/12: £128,051,839 / 96,649= £1,324.92p).

### CF 3. NNDR

The total non-domestic rateable value at 31 March 2013 was £197,073,061 as per the Valuation Office's schedule dated 30 March 2013 (£201,602,370 in 2011/12).

The 2012/13 NNDR standard multiplier set for the year by the Government (via DCLG) was 45.8p (43.3p in 2011/12) and 45.0p for small businesses (42.6p in 2011/12). NNDR income was £73,169k (£72,708k 2011/12).

### CF 4. Allocation of the Collection Fund

The Council 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 2012/13, the balances calculated on this basis are as follows

	<u>2011/12</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
<b>Balance 1 April</b>	<b>(913)</b>	<b>(1,866)</b>
Allocated in year:		
Central Bedfordshire Council	564	628
Bedfordshire Police Authority	62	68
Bedfordshire & Luton Combined Fire Authority	35	39
Total Distributed	661	735
<b>Balance 31 March</b>	<b>(1,866)</b>	<b>(1,312)</b>
<u>Allocated Between:</u>		
Bedfordshire Police Authority	(171)	(120)
Bedfordshire & Luton Combined Fire Authority	(95)	(67)
Total	(266)	(187)
Central Bedfordshire Council	(1,600)	(1,125)
<b>Balance 31 March</b>	<b>(1,866)</b>	<b>(1,312)</b>



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





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## **CENTRAL BEDFORDSHIRE COUNCIL**

### **ANNUAL GOVERNANCE STATEMENT 2012/13**

#### **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 and 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 explains how the Council has complied with national good practice guidance and meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

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(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

#### **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 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 services and value for money. 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 assurance 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

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realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Central Bedfordshire Council for the year ended 31 March 2013 and up to the date of the approval of the statement of 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

In June 2012 the Council adopted a new medium term plan for the period 2012 – 2016 entitled "Delivering your Priorities". The Council's overall objective is to create Central Bedfordshire as a "great place to live and work" and the plan identifies the following priorities:

- Enhancing Central Bedfordshire – creating jobs, managing growth, protecting our countryside and enabling businesses to grow.
- Improved educational attainment.
- Promote health and wellbeing and protecting the vulnerable.
- Better infrastructure – improved roads, broadband reach and transport.
- Great universal services – bins, leisure and libraries.
- Value for money – freezing council tax.

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.

## 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

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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 reviews the Policy Framework periodically to ensure that it is fit for purpose and contains the most strategically important plans and those closely aligned to its corporate priorities.

The Constitution describes the role of the statutory officers (the Head of Paid Service, the Monitoring Officer and the 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, Executive member, 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

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

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The Council's Chief Finance Officer is a member of the Council's Corporate Management Team (CMT) and he 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 of Officers and Members**

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

The Localism Act 2011 introduced new arrangements relating to standards in local authorities. In accordance with those arrangements, the Council adopted a new Code of Conduct in April 2012 based on the seven Nolan principles of public life. These arrangements came into effect on 1 July 2012 as required by the Act.

The Council's General Purposes Committee is responsible for overseeing the arrangements. The Council collaborated with a number of neighbouring local authorities to appoint a panel of independent persons, as required by the Localism Act who are available to advise as and when complaints are received relating to the Code of Conduct.

There is a system in place to deal with the investigation and determination of alleged breaches of the Members' Code of Conduct. Upon receipt, complaints are assessed by the Council's Monitoring Officer and, where necessary, complaints are considered and determined by the Standards Sub-Committee.

Training has been provided for members of the Council on the new Code of Conduct and the rules relating to disclosable interests that were introduced in the Localism Act.

The Council also has in place a number of codes and protocols relating to various aspects of ethical governance including: a Code of Conduct for Officers, a Protocol for Members/Officer Relations, a Monitoring Officer Protocol and a Protocol regarding the use 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.

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.

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## **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 if any such arrangements are 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 aide memoires

The Council's Risk Management Strategy and Policy Statement were approved by the Audit Committee in April 2012 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. In June 2010, the Central Bedfordshire Legal Team achieved the Lexcel accreditation, a quality standard administered by the Law Society. 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.



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The Council's Corporate Management Team commissioned an independent review of the Council's Legal Services in October 2012. As a consequence, the in-house team is being re-structured to provide increased capacity and revised arrangements are being introduced for the engagement of external legal support. In future, all such support will be commissioned through the in-house team.

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 updated 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**

In 2012 the Senior Management Group (SMG) which comprises of the top three tiers of Officers underwent a 360 degree feedback exercise, measured against a set of Leadership Qualities that had been developed by this group. The results of this exercise informed a Leadership Development Programme that was launched in April 2013. The exercise has now been extended to include fourth tier managers and approximately 200 Managers have taken part. The summary feedback is then embedded into their annual Performance Development Reviews. Other management training includes ILM 3 and 5 accredited programmes.

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

The Member Development Programme has been developed to support all Members and provides essential updates and training sessions. It has been ratified by the Member Development Champion and Corporate Management Team.

## **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.

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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 on line 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.

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## 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 (including Gypsies and Travellers,), 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:

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**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.

The 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, which has 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.

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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 2011. 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 operated in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006, during 2012/13.

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 and Risk 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 these reviews.

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

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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 and an Efficiency Implementation Group chaired by the Chief Finance Officer, 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 2012/13**

The Council's Head of Internal Audit and Risk submitted her opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 24 June 2013. The Head of Internal Audit and Risk 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 2013/14. Some improvements on last year have been noted, however, further action is required to fully address the control weaknesses identified. The payroll service was brought back in house from 1 April 2012. This resulted in a review of processes. A SAP Optimisation project is in progress, and this will be further developed during 2013/14.

Progress has continued to be made during the year to address the control weaknesses identified during the early years of the Council in respect of the managed audits of the key financial systems. Significant progress has been made in ensuring that the Council's Financial Procedures are comprehensively reviewed and documented.

There has been a stable senior finance management structure in place during the year, following a significant staff turnover in the previous year.

Internal Audit has continued to track the implementation of high risk recommendations. This work has identified that significant progress is being made to develop a comprehensive IT Disaster Recovery Plan. Further work is currently in progress. The Audit Committee has received updates on this during the year.

#### **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 governance issues were of significance during 2012/13:

- Regeneration review, including Member and Officer roles.

- The changes to ethical standards introduced under the Localism Act 2011, including the abolition of the Standards Committee and the Statutory Framework governing the investigation and determination of complaints against Members of the Council and the appointment of independent persons to provide views on complaints about the conduct of Members of the Council.

The new arrangements are summarised in paragraph 2.5 above. The Council adopted a new local Code of conduct at its Annual Meeting on 19 April 2013 and appointed a panel of independent persons in September 2012. Ethical standards are now overseen by the Council's General Purposes Committee.

- The self financing arrangements for the Housing Revenue Account, which entailed a significant expansion of housing debt.
- The introduction of new arrangements relating to landlord complaints including the creation of a Tenancy Scrutiny Panel.

The Strategic Risk Register also identifies the following risks which have an impact on governance:

- The welfare reforms currently being introduced by Central Government.

There are significant changes to various welfare payments being introduced from 1 April 2013. The most significant is the abolition of Council Tax Benefit and its replacement by a localised system of Council Tax Support. During 2012/13 the Council prepared for this through extensive consultation with the public and those most likely to be affected by the changes. As a result changes were made to the final scheme which was approved by Council in January 2013. The situation is under constant review to assess the impact of all the changes during 2013/14.

- The transfer of public health responsibilities to the Council.

On 1 April 2013 the Council assumed responsibility for certain public health functions under the provisions of the Health and Social Care Act 2012. This was a complex transfer of functions from various NHS bodies to the Council but was undertaken successfully, including incorporation of appropriate budgets in the Council Budget which was approved in February 2013.

In May 2012 the Council established a shadow Health and Wellbeing Board in preparation for the changes. Terms of Reference for the substantive Health and Wellbeing Board were subsequently approved and appointments were made to this new statutory committee at the Council's Annual Meeting in April 2013. The Council's Executive has also approved arrangements for the establishment of a Local Healthwatch Organisation.

## **6.0 CONCLUSION**

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2012/13 and has been approved by the Council's Audit Committee.



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The Council proposes to take steps over the coming year to address the above matters to 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 6<sup>th</sup> August 2013**

## GLOSSARY OF TERMS

**Accounting Period** The period of time covered by the accounts commencing on 1 April until 31 March.

**Accruals** An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

**Acquisitions** The Council spends funds from the capital programme to buy or enhance assets such as land and buildings.

**Actuarial Valuation** The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates every three years.

**Agency Services** Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

**Asset** A resource controlled by the authority as a result of past events and from which future economic or service potential is expected to flow to the authority.

**Asset Register** A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

**Audit of Accounts** An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.

**Available for Sale Financial Asset** A non derivative financial asset that is not classified as loans and receivables.

**Bad Debts** Debts owed to the Council which are considered not recoverable and are written off.

**Balances** The amount of money left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise of the General Fund balance, the Collection Fund balance, the Housing Revenue Account balance and Schools Account balance.

**Billing Authority** 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 are in the main district councils, and unitary authorities e.g. London boroughs.

**Budget** A forecast of the Council's planned expenditure; the level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the cost of services.

**Capital Expenditure** Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only

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be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

**Capital Financing Requirement** The capital financing requirement is the capital investment funded from borrowing which has yet to be repaid.

**Capital Programme** The capital programme is a financial summary of the capital projects that the authority intends to carry out over a specified time.

**Capital Receipts** Monies received from the sale of the Council's assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

**Capital Reserves** Capital reserves represent resources earmarked to fund capital schemes as part of the authority's capital investment strategy.

**Capitalisation** Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

**Cash Equivalents** Investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

**CIPFA** The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities.

**CIPFA Code of Practice on Local Authority Accounting** The Code specifies the principles and practices of accounting to give a "true and fair" view of the financial position and transactions of a local authority.

**Community Assets** Assets that the authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**Consistency** The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**Contingent Asset** A possible asset 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.

**Contingent Liability** A contingent liability is either:

- (i) 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, or
- (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**Costs to Sell** The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs.

**Creditors** An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made by 31 March.

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**Current Asset** An asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Council expects to realise the asset within 12 months after the reporting date.

**Current Liability** An amount which will become payable or could be called in within the next reporting period; examples are creditors and cash overdrawn.

**Debtors** Monies due to the Council but not received by the end of the accounting period.

**Defined Benefit Scheme (Pensions)** A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**Depreciation** The measure of the wearing out, consumption or other reduction in the useful economic life of an asset. Depreciation forms part of the capital charge made to service revenue accounts.

**Donated Asset** An asset transferred at nil value or acquired at less than fair value.

**Earmarked Reserves** Funds set aside for a specific purpose or a particular service, or type of expenditure.

**Effective rate of interest** The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

**Employee Benefits** All forms of consideration given by the authority in exchange for services rendered by employees.

**Exceptional Items** Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Existing Use Value for Social Housing (EUV-SH)** A vacant possession valuation of Council dwellings adjusted to reflect the continuing occupation by a secure tenant. A further adjustment is made to reflect the difference between open market rented property and social rented property.

**Exit Packages** Departure costs paid to former employees who negotiate a package as part of their terms of leaving the authority.

**Expenses** The economic costs that a business incurs through its operations to earn revenue.

**Extraordinary Items** Material items that are not within the Council's ordinary activities and are not expected to recur.

**Fair Value** The price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

**Finance & Operating Leases** A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance

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lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

**Financial Instrument** Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

**Financial Liability** An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

**Financing Activities** Activities that result in changes in the size and composition of the principal received from or repaid to external providers of finance.

**Formula Grant** Government subsidy to local authorities comprising two elements: Revenue Support Grant and redistributed National Non-Domestic Rates.

**General Fund** The Council's main revenue account that covers the net cost of all services.

**Going Concern** A concept that defines that the functions of the Council will continue in operational existence for the foreseeable future.

**Grants and Contributions** Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.

**Gross Expenditure, Gross Income and Net Expenditure** Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund. Net Expenditure is the cost of service provision after the income is taken into account.

**Housing Benefits** The national system of financial assistance to individuals towards certain housing costs. Housing benefits are administered by local authorities and subsidised by central government.

**Housing Revenue Account** A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

**Impairment** A reduction in value of a fixed asset below its previously assessed value in the balance sheet.

**Income** The gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of non current assets.

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**Infrastructure Assets** Fixed assets that are inalienable, expenditure which is recoverable only by a continued use of the asset created. Examples of infrastructure assets include highways and footpaths.

**Insurance Reserve** The insurance reserve is used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. In addition, the authority carries a substantial amount of self insurance financed from this reserve.

**International Financial Reporting Standards (IFRS)** The accounting standards under which the Council has complied its financial statements as defined by the CIPFA Code of Practice.

**International Public Sector Accounting Standards (IPSAS)** International Accounting Standards (IAS) adapted to meet public sector requirements.

**Investing Activities** Activities relating to the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

**Investment Properties** Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.

**Landfill Allowance Trading Scheme (LATS)** LATS was introduced by the Government in the 2003 Waste and Emissions Trading (WET) Act to help the UK meet its Landfill Directive targets. The Government allocates each local authority an allowance in tonnes for the amount of biodegradable municipal waste it can send to landfill. Local authorities are allowed to trade their allowances with other authorities and can also bank their allowances for future years. The scheme will cease in 2012/13.

**Liability** A present obligation of the authority arising from past events, the settlement of which is expected to result in an outflow from the Council of resources embodying economic benefits or service potential.

**Liquid Resources** Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash or close to the carrying amount or traded in an active market.

**Loans and Receivables** Non-derivative financial assets with fixed or determinable payments that are not quoted in any active market.

**Major Repairs Reserve (MRR)** The Major Repairs Reserve records amounts set aside from the Housing Revenue Account (HRA) which can be used to finance either future capital expenditure or the repayment of borrowing.

**Materiality** An item is material if its omission, non-disclosure or misstatements in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

**Minimum Revenue Provision (MRP)** The minimum amount which must be charged to the revenue account each year for the repayment of borrowing.

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**National Non Domestic Rates (NNDR)** A national scheme for collecting contributions from businesses towards the cost of local government services. Each business has a rateable value. The Government determines how much a business has to pay per £ of rateable value. The money is collected by the authority and then passed to central government who reallocate the income to all authorities in proportion to their population.

**Net Book Value** The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.

**Net Realisable Value** The selling price in the ordinary course of operations less the costs of completion and the costs necessary to make the sale, exchange or distribution.

**Net Worth** The total funds, balances and reserves (both usable and unusable reserves) held by the authority.

**Non Current Asset** An asset that does not meet the definition of a current asset and has a long term benefit to the Council.

**Non Distributed Costs** Overheads for which no service benefits, for example pensions arising from discretionary added years service.

**Operating Activities** The activities of the Council that are not investing or financing activities.

**Operational Assets** Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Outturn** Refers to actual income and expenditure or balances as opposed to budgeted amounts.

**Pension Reserve** The Pensions Reserve is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net change in the Council's recognised liability under International Accounting Standard 19 (IAS), Retirement Benefits, for the same period. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund balance reflects the amount required to be raised in taxation. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet.

**Post Employment Benefits** Post employment benefits cover not only pensions but also other benefits payable post employment such as life insurance and medical care.

**Post Balance Sheet Event** 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.

**Precept** The charge made by one authority on another to finance its net expenditure.

**Prior Period Adjustment** Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

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**Private Finance Initiative (PFI)** A contract between the Council and a private company where the private sector makes a capital investment in the assets required to deliver improved services.

**Property, Plant and Equipment (PPE)** Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services and which are expected to be used during more than one period.

**Provision** A liability of uncertain timing or amount.

**Prudence** This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty.

**Public Works Loan Board (PWLB)** A central government agency which provides long and medium-term loans to local authorities at interest rates slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

**Qualified Valuer** A person conducting the valuations who holds a recognised and relevant professional qualification and has sufficient current local, national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

**Related Party** Relationships between a senior officer or elected member or their families with another body that has a business relationship with the Council.

**Related Party Transaction** A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

**Residual Value** The expected value of the sale of an asset at the end of its estimated useful life.

**Revenue Contributions to Capital Outlay (RCCO)** The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

**Revenue Expenditure** Expenditure on the day to day running costs relating to the reporting period. Examples are salaries, wages, materials, supplies and services.

**Revenue Expenditure funded from Capital under Statute (formerly Deferred Charges)** A charge arising from capital expenditure but where there is no tangible asset.  
An example is grants given for private property improvements.

**Revenue Support Grant (RSG)** The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax. Revenue Support Grant is distributed as part of Formula Grant.

**Right to Buy** The Council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home.

**Section 151 Officer** A term used to describe the Chief Financial Officer whose responsibilities are set out in the Statement of Responsibilities for the Statement of Accounts.



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**Service Reporting Code of Practice (SeRCOP)** CIPFA's Service expenditure Reporting Code of Practice which provides guidance on financial reporting to stakeholders and establishes 'proper practice' with regard to consistent financial reporting.

**Short Term Compensated Absences** Short term compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid.

**Stocks/Inventory** The amount of unused or unconsumed stocks held in expectation of future use.

**Trust Funds** Funds administered by the authority for such purposes as prizes, charities and specific projects.

**Usable Capital Receipts Reserve** Proceeds of non current assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to finance capital expenditure.

**Useful Life** The period which a non current asset is expected to be available for use by the Council.

**Value Added Tax (VAT)** An indirect tax levied on most business transactions and on many goods and some services. Input tax is VAT charged on purchases. Output tax is VAT charged on sales.

**Write-offs** Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is reduced or written off.

## 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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