

Appendix A

Annual Statement of Accounts

Central Bedfordshire Council
2013/14



CENTRAL BEDFORDSHIRE COUNCIL

STATEMENT OF ACCOUNTS 2013/14

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EXPLANATORY FOREWORD

1 Introduction

I am pleased to present the Statement of Accounts for the year ending 31 March 2014 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. Most pupils are now educated in academies and public health services transferred to the Council from the National Health Service (NHS) on 1 April 2013.

The Statement of Accounts has 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 the United Kingdom ("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.

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 2013.

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 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 2014 amount to £103.1m and other reserves £239.7m. The Surplus or (Deficit) on the Provision of Services line shows an accounting net surplus of £36.0m incurred in the delivery services for the year ended 31 March 2014. Other lines on the statement disclose the adjustments between the accounting and funding (statutory) basis of £0.9m and net transfers to or from earmarked reserves.

The Comprehensive Income and Expenditure Statement for the year ended 31 March 2014 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 'Surplus on Provision of Services' (£36.0m). 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 £21.2m. The 'Total Comprehensive Income and Expenditure deficit for the Period' reported is £57.2m.

The Balance Sheet shows the value as at 31 March 2014 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 2014 was £342.7m.

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 2014 amounted to £19.1m with a reduction over the period of £4.2m. 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 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 (HRA) Comprehensive Income and Expenditure Statement shows the costs in year of providing and operating the Council's housing stock.

The Movement on the HRA Statement shows adjustments made to the HRA in line with statutory requirements.

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

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 2013/14 and are being developed in 2014/15.

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

3 Summary of Financial Performance in 2013/14

Revenue Income and Expenditure

The net revenue budget for 2013/14 was set at £189.0m (£178.9m in 2012/13). At 31 March 2014 the net revenue outturn was £0.6m below budget. This is reconciled to the accounting statements in Note 27 and summarised by directorate below:

	<u>Children's Services</u>	<u>Improvement & Corporate Services</u>	<u>Social Care, Health, Housing & Public Health</u>	<u>Regeneration and Community Services</u>	<u>Corporate Resources and Corporate Costs</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
2013/14						
Directorate Net Budget	39,206	23,843	65,901	43,815	16,199	188,964
Directorate expenditure:						
Employee Expenses	17,038	15,301	15,689	18,982	7,968	74,978
Other Service Expenses	53,149	20,631	86,572	39,349	79,325	279,026
Total Expenditure	70,187	35,932	102,261	58,331	87,293	354,004
Directorate Income:						
Fees, charges & other service income	(27,951)	(13,726)	(38,781)	(15,041)	(76,490)	(171,989)
Net Costs	42,236	22,206	63,480	43,290	10,803	182,015
Transfers to and (from) reserves	470	(157)	2,486	(20)	3,585	6,364
Actual after Reserve Transfers	42,706	22,049	65,966	43,270	14,388	188,379
Surplus reported to management						585

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

- Children's Services – overspend due to additional funds set aside in year for future costs relating to looked after children and there were additional costs in year relating to children in care, fostering and adoption services and transport.
- Social Care – lower than anticipated expenditure on physical disability care packages offset by funds being set aside in year to support the older people homes transfer in 2014/15, welfare reform costs and the impact of Deprivation of Liberty safeguards.
- Improvement and Corporate Services – Underspend due to higher than anticipated income from the farms estate and rentals of property.

4 Housing Revenue Account (HRA)

The balance on the Housing Revenue Account (HRA) has remained at £2.0m (£2.0m in 2012/13), due to amounts being set aside as earmarked reserves. The HRA has two earmarked reserves: a Sheltered Housing Re-Provision reserve of £12.2m (£8.7m in 2012/13) and a Strategic Reserve to finance future housing investment of £6.4m (£1.3m in 2012/13). The HRA was also statutorily required to set aside £3.3m in the Major Repairs Reserve (MRR), to either fund future capital investment or repay debt.

£6.6m of the MRR, which includes amounts set aside in 2012/13 and 2013/14, was applied in 2013/14 (£0 in 2012/13) leaving a balance of £0.2m (£3.4m in 2012/13). The HRA also had £2.3m of capital receipts set aside (£0.7m in 2012/13).

5 The Capital Outturn Position

The net general fund outturn position for the year to 31 March 2014 totalled £25.2m (£34.4m in 2012/13) which was below the net and gross budgets by £19.9m and £23.2m respectively. The 2013/14 general fund capital programme gross budget was £94.6m, with external funding (grants and contributions) of £49.6m giving a net budget of £45.0m.

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:

Capital Programme Outturn 2013/14					
	BUDGET- Gross Expenditure	BUDGET- External Funding	BUDGET- Net Expenditure	Actual net Spend	Variance
Directorate	£m	£m	£m	£m	£m
Children's Services	27.4	26.7	0.7	0.4	(0.3)
Social Care, Health & Housing	10.3	7.3	3.0	1.8	(1.2)
Community Services	37.4	13.1	24.3	11.4	(12.9)
Regeneration	5.1	2.4	2.7	1.0	(1.7)
Improvement and Corporate	14.4	0	14.4	10.6	(3.8)
Sub Total	94.6	49.5	45.1	25.2	(19.9)
Housing Revenue Account	10.9	0	10.9	7.6	(3.3)
Total	105.5	49.5	56.0	32.8	(23.2)

6 Capital Resources

The Council spent £82.1m this year on capital expenditure (including £2.4m Section 106 expenditure) which was funded from the following resources:

- Capital Receipts - £2.9m (£3.7m in 2012/13)
- Government Grants and Contributions - £44.6m (£38.4m in 2012/13).
- Direct Revenue Funding - £2.3m (£0.5m in 2012/13)
- Minimum Revenue Provision £7.1m (£5.9m in 2012/13)
- Internal Borrowing £18.6m (£24.9m in 2012/13)
- HRA Major Repairs Reserve (MRR) £6.6m (£0 in 2012/13)

During the year all general fund capital receipts were applied to finance capital expenditure. The Housing Revenue Account retained capital receipts amounting to £2.3m.

The Housing Revenue Account's capital programme is funded through application of the Major Repairs Reserve (MRR) of £6.6m, direct revenue financing of £0.8m and usable capital receipts £0.2m.

7 Debt and Investments

Borrowing

Within the Treasury Management Strategy, the Council approved an authorised borrowing limit for 2013/14 of £474.7m (compared to £439.9m 2012/13).

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, and some longer term investments. In accordance with the Treasury Management Strategy approved annually by Council, and professional advice, the allocation of funds to bank accounts and other investments with high levels of security will vary over time and with the Council's cash flows. At 31st March 2014 all such resources totalled £19.1m.

	2012/13 £'000	2013/14 £'000
Cash and Cash Equivalents	23,307	19,083

The Council generated investment income of £0.7m in the financial year achieving the budget set for the financial year.

The investments are managed through a combination of internal and external arrangements, as follows:

	2013/14 £'000
Internally Managed (investments)	20,196
Externally Managed Lime fund	4,852
Total	25,048

8 Council Tax and Non Domestic Rates (NDR) Collection

The collectable amount in respect of 2013/14 Council Tax was £151m and the Council's in year collection rate was 97.4%. Council Tax arrears amounted to £12.6m at 31 March 2014 (£10m at 31 March 2013) of which £5.4m related to 2013/14 billing and this amount is expected to be substantially collected during 2014/15.

The collectable amount in respect of business rates was £76.4m and the in year collection rate was 98.5%. NDR arrears at 31 March 2014 amounted to £5.2m (£4.5m at 31 March 2013) of which £2.8m related to 2013/14 billing and this amount is expected to be substantially collected during 2014/15.

9 Non Domestic Rates (NDR) accounting changes in 2013/14

From 1 April 2013 a share of Non Domestic Rates (NDR) were retained locally by Local Authorities. Previously all NDR income was paid to Central Government who then redistributed amounts to Local Authorities as grant funding. Non Domestic Rates are accounted for via the Collection Fund, and any increases or decreases in NDR collection will impact the General Fund in the financial year after the gain or loss is incurred.

In 2013/14 49% of NDR receipts were retained by the Council, amounting to £37,429k of income to the General Fund. From this a tariff of £8,995k and a levy on gains of £42k was paid to Central Government, leaving net NDR income for the Council of £28,392k.

The Council had to provide for potential future successful appeals made to the valuations office related to NDR bandings. The Council set aside £1.3m from the Collection Fund for this purpose in 2013/14.

10 Material assets acquired or liabilities incurred

A number of schools have converted to Academy status during 2012/13 and 2013/14 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 £27,883k in 2013/14 (£49,739k in 2012/13).

11 Provisions

There were £4.5m of provisions as at 31 March 2014 (£4.1m 2012/13) 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 which are managed on behalf of the Council and Bedford Borough Council, stood at £2.5m as at 31 March 2014 (£2.9m 2012/13).

The Council also set aside a provision to reflect accumulated absences carried forward amounting to £2.9m at 31 March 2014 (£3.4m in 2012/13). Costs related to these are reversed out to the Accumulated Absences reserve in line with statutory requirements.

12 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 2014 the Council's net liability reported by the Actuary to the LGPS was £307.1m (£303.8m in 2012/13). The fair value of LGPS assets increased over the year to £377.2m (£365.7m in 2012/13) and the value of the obligations to pay pension liabilities increased to £684.4m (£669.5m in 2012/13).

The net pension liability of £307.1m 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 from those required by IAS19. The latest triennial valuation at 31 March 2013 certified a funding level of 70.1% for the Council.

Changes to IAS19 adopted by the CIPFA Code of Practice in 2013/14 meant that IAS19 figures for 2012/13 had to be restated in the accounting statements. The key changes have included:

- Advance credit for anticipated outperformance of return seeking assets (such as equities) are no longer permitted. This has been effectively replaced with an equivalent figure calculated using the discount rate. This is the single biggest change in IAS19 and results in the combination of the interest cost and the expected return on assets into a single net figure
- Presentational changes in the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Cash flow Statement
- Increased asset disclosure
- Layout of disclosures in the notes to the accounts.

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

13 Service and Economic Outlook

The Economic Outlook

The Council's Medium Term Financial Plan (MTFP) 2014 – 2018 has been updated against a background of significant challenges not least of which are Central Government cuts in funding and reforms to local government at a time of subdued economic growth.

The local Government finance settlement in December 2013 set out a 2 year settlement covering the years 2013/14 and 2014/15. The March budget included a further 1% reduction to local Government funding in 2014/15 in addition to the 2% already announced. In addition, the 1% limit on pay inflation was extended to 2015/16 and it was announced that the draft Care Bill arising from the recommendations from the Dilnot Commission would be implemented a year earlier, in 2016. These recommendations will cap individual payments for Adult Social care and support at £72k and the threshold for means testing for residential care will rise from £23k to £118k.

On 26 June 2013 the Spending Round was announced which outlined Central Government's spending plans for 2015/16. Unlike previous Spending Reviews this Spending Round covered one year only. The key impact upon local Government was a proposed reduction in Local Government funding of 10%. In addition it was announced that Council Tax Freeze Grant would be continued in 2014/15 and 2015/16 with a grant equivalent to a 1% increase. Some £3.8bn of current pooled and NHS funding would be transferred to a Better Care Fund in 2015/16 to develop integrated health and social care services. To prepare for the reformed Social Care funding system some £335m would be provided to local authorities in 2015/16.

In the wider economy, The Bank of England has continued to maintain low interest rates and despite early signs of a recovering economy with jobs growth, the Bank is not expected to raise rates until 2015.

The credit risk of banking failures is still present. Regulatory changes are planned in the UK, US and Europe are expected to move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.

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. This includes the replacement of Council Tax Benefit with a Local Council Tax Support scheme and devolving responsibility for awarding Local Council Tax Support to local authorities. These changes were implemented with a 10% reduction in Central Government grant funding for this activity.

The rules on Housing Benefit have been revised with restrictions on entitlement for social housing tenants 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, allowing direct retention by Local Authorities of a portion of collected Rates and altering the Formula Grant distribution quantum and methodology.

As indicated in section 9 above, there has been an on-going transfer of schools to Academy status throughout 2013/14.

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 2013 and 2018 of:

- 8% increase in the overall population;
- 11% increase in the over 75's population; and
- 20% 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 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 2014/15 identified efficiencies of £17.4m that were required to produce a balanced budget for the year. A further £25.6m of efficiencies are required to be identified over the subsequent three years to achieve the proposed MTFP.

The Capital programme general fund expenditure of £91m for 2014/15 will be funded by £44m of grant funding and capital receipts and £47m of council resources. Where council 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 £15.1m as at 31 March 2014 and £27.8m is held in earmarked reserves.



Charles Warboys
Chief Finance Officer & s.151 Officer

Central Bedfordshire Council
Priory House
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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 2013/14 (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 31st March 2014 and its income and expenditure for the year ended 31st March 2014.



Charles Warboys
Chief Finance Officer & s.151 Officer

Dated: 30.6.14

Councillor Mike Blair
Chair of the Audit Committee

Dated:

**Central Bedfordshire
Council
Single Entity Core
Financial Statements
2013/14**

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.

<u>Usable Reserves 2013/14</u>	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	HRA Major Repairs £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Schools £'000	<u>Usable Reserve Total</u> £'000
Balance at 31 March 2013	(14,199)	(21,434)	(2,000)	(9,937)	(3,437)	(657)	(1,480)	(13,042)	<u>(66,186)</u>
Movement in Reserves during 2013/14:									
(Surplus)/deficit on provision of services	(13,295)	0	(22,682)	0	0	0	0	0	(35,977)
Total Comprehensive I&E	(13,295)	0	(22,682)	0	0	0	0	0	(35,977)
Adjustments between accounting basis and funding basis under regulations (note 7)	7,282	0	14,108	0	3,237	(1,689)	(23,864)	0	(926)
Net (increase)/decrease before transfers to Earmarked Reserves	(6,013)	0	(8,574)	0	3,237	(1,689)	(23,864)	0	(36,903)
Transfers (to)/from Earmarked Reserves (note 8)	5,111	(6,330)	8,574	(8,574)	0	0	0	1,216	0
(Increase)/Decrease in year	(902)	(6,330)	0	(8,574)	3,237	(1,689)	(23,864)	1,216	(36,903)
Balance at 31st March 2014	(15,101)	(27,764)	(2,000)	(18,511)	(200)	(2,346)	(25,344)	(11,826)	<u>(103,089)</u>

<u>Unusable Reserves 2013/14</u>	Revaluation Reserve £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Short term Accumulated Absence £'000	<u>Unusable Reserve Total</u> £'000	<u>Total Reserves</u> £'000
Balance at 31 March 2013	(46,494)	276	303,829	(483,292)	0	1,833	1,105	3,435	<u>(219,308)</u>	(285,494)
Other Comprehensive I&E	(13,605)	(128)	(7,510)	0	0	0	0	0	(21,244)	(57,221)
Adjustments between accounting basis and funding basis under regulations (note 7)	799	0	10,822	(9,743)	0	(116)	(343)	(493)	926	0
(Increase)/Decrease in year	(12,806)	(128)	3,312	(9,743)	0	(116)	(343)	(493)	(20,317)	(57,220)
Balance at 31st March 2014	(59,300)	148	307,141	(493,035)	0	1,717	762	2,942	<u>(239,626)</u>	<u>(342,715)</u>

Usable Reserves 2012/13	General Fund £'000	General Fund Earmarked £'000	HRA £'000	HRA Earmarked £'000	HRA Major Repairs £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Schools £'000	Usable Reserve Total £'000
Balance at 31 March 2012	(10,919)	(18,526)	(3,905)	0	(200)	0	(1,480)	(10,240)	(45,270)
Movement in Reserves during 2012/13:									
(Surplus)/deficit on provision of services	69,642	0	(2,170)	0	0	0	0	0	67,472
Total Comprehensive I&E	69,642	0	(2,170)	0	0	0	0	0	67,472
Adjustments between accounting basis and funding basis under regulations (note 7)	(78,632)	0	(5,862)	0	(3,237)	(657)	0	0	(88,388)
Net (increase)/decrease before transfers to Earmarked Reserves	(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
(Increase)/Decrease in year	(3,280)	(2,908)	1,905	(9,937)	(3,237)	(657)	0	(2,802)	(20,916)
Balance at 31st March 2013	(14,199)	(21,434)	(2,000)	(9,937)	(3,437)	(657)	(1,480)	(13,042)	(66,186)

Unusable Reserves 2012/13	Revaluation Reserve £'000	Available For Sale £'000	Pensions £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Financial Instrument £'000	Collection Fund Adjustment Account £'000	Short term Accumulated Absence £'000	Unusable Reserve Total £'000	Total Reserves £'000
Balance at 31 March 2012	(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
(Increase)/Decrease in year	(1,542)	(36)	54,209	77,709	72	(116)	(476)	(4,874)	124,947	104,031
Balance at 31st March 2013	(46,494)	276	303,829	(483,292)	0	1,833	1,105	3,435	(219,308)	(285,494)

General fund figures have been restated following changes to International Accounting Standard (IAS) 19. Further information on these changes is detailed on page 11, section 12 of the Explanatory Foreword.

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>2012/13</u>			<u>2013/14</u>			
<u>Gross</u> <u>Expenditure</u> <u>£'000</u>	<u>Gross</u> <u>Income</u> <u>£'000</u>	<u>Net</u> <u>Expenditure</u> <u>£'000</u>		<u>Gross</u> <u>Expenditure</u> <u>£'000</u>	<u>Gross</u> <u>Income</u> <u>£'000</u>	<u>Net</u> <u>Expenditure</u> <u>£'000</u>
Service Analysis						
7,400	(4,100)	3,300	Central Services to the Public	8,596	(4,294)	4,302
0	0	0	Public Health ¹	13,426	(13,649)	(222)
9,316	(586)	8,730	Cultural and Related Services	8,848	(579)	8,269
26,108	(2,149)	23,959	Environment and Regulatory Services	24,875	(2,382)	22,492
18,249	(4,212)	14,037	Planning Services	17,655	(3,676)	13,979
205,131	(151,742)	53,389	Children's & Education Services	199,627	(140,311)	59,316
24,939	(1,826)	23,113	Highways & Transport Services	26,074	(3,291)	22,783
17,010	(26,575)	(9,564)	Housing Revenue Account (HRA)	1,738	(31,686)	(29,948) ⁴
85,017	(80,435)	4,582	Other Housing Services	69,006	(65,146)	3,861
92,718	(32,141)	60,577	Adult Social Care	97,402	(23,689)	73,713
2,975	(4,215)	(1,241)	Corporate & Democratic Core	4,000	(5,201)	(1,200)
1,183	(47)	1,136	Non-Distributed Costs	1,784	(22)	1,762
490,046	(308,028)	182,018	Cost of Services	473,033	(293,926)	179,107
Note						
		91,538	Other Operating Expenditure²		9	33,719
		21,097 ³	Financing and Investment Income and expenditure		10	20,242
		(227,181)	Taxation and Non-Specific Grant Income		11	(269,046)
		<u>67,472</u>	(Surplus)/Deficit on Provision of Services			<u>(35,978)</u>
	(12,209)		Revaluation gains on non-current assets		12	(14,038)
	701		Revaluation losses (chargeable to Revaluation Reserve) on non-current assets		12	433
	(36)		(Surplus)/deficit on revaluation of available for sale assets		23	(128)
	(18,507) ³		Return on Plan Assets - Pensions			1,279
	66,610 ³		Actuarial (gain)/losses on pensions asset/liabilities		42	(8,789)
		<u>36,559</u>	Other Comprehensive Income and Expenditure Statement- Deficit			<u>(21,243)</u>
		104,031	Total Comprehensive Income and Expenditure Statement- Deficit			(57,221)

1 Public Health responsibilities were transferred to the Council on 1 April 2013.

2 Other Operating Expenditure includes academy type conversions of £27,883k (£49,739k in 2012/13) detailed in Note 5 to the accounts.

3 Pensions figures for 2012/13 have been restated to reflect changes to International Accounting Standard 19 (IAS 19). Further details are provided on page 11 section 12 of the Explanatory Foreword.

4 The HRA had £16.4m of upward property revaluations reversing previous impairment losses in 2013/14. Further information is provided in Note 12 to the accounts.

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>2013</u> <u>£'000</u>		<u>Note</u>	<u>31</u> <u>March</u> <u>2014</u> <u>£'000</u>	<u>31</u> <u>March</u> <u>2014</u> <u>£'000</u>
Long Term Assets				
835,634	Property, Plant & Equipment	12	876,480	
78,809	Investment Properties	13	81,675	
7,078	Intangible Assets	14	6,758	
4,724	Long Term Investments	15	4,852	
1,117	Long Term Debtors	15	574	
927,362				970,340
Current Assets				
20,118	Short Term Investments- principal	15	14,124	
2,700	Assets Held for Sale	19	606	
48,093	Short Term Debtors	17	46,944	
23,307	Cash and Cash Equivalents	18	19,083	
94,218				80,757
Current Liabilities				
(8,792)	Short Term Borrowing	15	(17,552)	
(37,183)	Short Term Creditors	20	(44,709)	
(4,180)	Provisions	21	(4,456)	
(3,435)	Provisions - accumulated absences	23	(2,942)	
(53,590)				(69,658)
Long Term Liabilities				
(132)	Long Term Creditors	15	0	
(17,409)	Private Finance Initiative (PFI)	38	(16,820)	
(306,225)	Long Term Borrowing	15	(289,961)	
(303,829)	Liability to Defined Benefit Pension Scheme	42	(307,141)	
(54,901)	Capital Grants (receipts in advance)	34	(24,801)	
(682,496)				(638,722)
285,494	Net Assets			342,715
Total Reserves				
(66,186)	Usable Reserves	22		(103,089)
(219,308)	Unusable Reserves	23		(239,626)
(285,494)				(342,715)

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>2012/13</u> <u>£'000</u>		<u>Note</u>	<u>2013/14</u> <u>£'000</u>
(67,472)	Net surplus/(deficit) on the provision of services	24	35,978
133,165	Adjustment net surplus/(deficit) on the provision of services for non-cash movements	24	43,415
(33,819)	Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	24	(64,899)
32,540	Net cash flows from operating activities- inflow/(outflow)	24	14,494
(49,874)	Investing activities	25	(11,162)
(5,038)	Financing activities	26	(7,558)
(22,372)	Net increase/(decrease) in cash and cash equivalents		(4,224)
45,679	Cash and cash equivalents at 1st April		23,307
23,307	Cash and cash equivalents at 31st March	18	19,083

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1. Accounting policies

i) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice (SeRCOP) 2013/14, 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.

ii) 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.

iii) 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.

iv) 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 and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

v) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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 and the amount charged is based on option 1 and option 3 of the guidance. The MRP policy is approved as part of the Treasury Management Strategy Statement (TMSS) by Full Council annually.

vii) Employee Benefits

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 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 can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance/Housing Revenue Account 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.

Post Employment Benefits:

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

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

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

However, the arrangements for the teachers' and NHS schemes 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 and the Public Health line charged with contributions payable to the NHS Pension Scheme 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 the following components:

- Service cost comprising:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- **Net interest on the net defined benefit liability (asset)**, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

- **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the pension fund – cash paid as employer's contributions 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

The Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff (including teachers) 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.

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 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 no material impact upon the Authority in terms of foreign currency transactions.

xi) 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.

xii) 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.

xiii) 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

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.

xiv) Inventories and Long-term Contracts

Material inventories are valued in the Balance Sheet at the lower of cost and net realisable value. The Council held no inventories of financially material value at 31 March 2014.

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.

xv) 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 re-valued 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.

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

xvi) 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.

xvii) 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).

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.

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.

xviii) 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 2013/14 (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.

xix) 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.

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 was 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 provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 30 years.

Where a financially material item of Property, Plant and Equipment over £1,000k in value has major components over £250k or 20% of the asset value, the components are depreciated separately.

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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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.

xx) 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 of contracts.

xxi) 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 full liability related to the PFI is held on the Balance Sheet as a long term liability.

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.

xxii) Provisions, Contingent Assets and Contingent Liabilities

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.

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.

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.

xxiii) 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/Housing Revenue Account 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/Housing Revenue Account 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.

xxiv) 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.

xxv) Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The key features relevant to accounting for council tax and NDR in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax and NDR income on behalf of the major preceptors and itself.
- While council tax and NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

As the collection of council tax and NDR Income is in substance an agency arrangement:

- Cash collected by the billing authority from council tax debtors and local businesses belong proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from council taxpayers.

Retained Business Rate income and Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income. Both NDR, including levies tariffs payable, and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax, NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.

xxvi) 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.

2. Accounting Standards Issued but not Adopted

There have been a number of changes to international accounting standards which have been adopted by the 2014/15 CIPFA Code of Practice but not by the 2013/14 Code. The Council will therefore adopt these changes from 1 April 2014. It is not anticipated that any of the changes will have a material impact on the financial statements of the Council.

International Financial Reporting Standard (IFRS)	Description	Details
IFRS 10	Consolidated Financial Statements	This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The changes will not have any impact on the Council.
IFRS 11	Joint Arrangements	This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.
IFRS 12	Disclosure of Interest in Other Entities	This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has no material arrangements which would come into this category.
International Accounting Standard (IAS) 27	Separate Financial Statements (2011 Amended)	These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12.
International Accounting Standard (IAS) 28	Investments in Associates and Joint Ventures	
International Accounting	Financial Instruments: Presentation	The Code references to amended application guidance when

Standard (IAS) 32		offsetting a financial asset and a financial liability. The change has no material impact on the Council.
Annual Improvements to IFRS 2009-2011 Cycle	Annual IFRS improvements	The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

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.
- The Council has a number of leases where the land element of the asset is leased at peppercorn or minimal rent. These leases may be of a significant length which may potentially render the lease a finance lease under accounting rules. However, where assets are valued in their existing use under accounting regulations, a key determinant of value is the amount of lease payments and as these are of immaterial rental amounts, the Council has not considered such agreements as finance leases.
- 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 Council's policy in respect of the Balance Sheet recognition of various types of school assets is as follows:

- Community Schools are recognised as Central Bedfordshire Council has significant control of the asset and its service potential. The exception is when the asset is leased with the Council as the lessor. In these circumstances whether the asset is recognised is determined under IAS 17 (Leases).
- Voluntary Controlled School buildings and land are not recognised as the Council does not control the asset. The exception is where there is an adjacent playing field owned by the Council. In this case the playing field is on the Authority's Balance Sheet.
- Voluntary Aided School buildings and land are not recognised as the Council does not control the asset.
- Foundation School buildings and land are not recognised as the Council does not control the asset.
- Academy Schools are not recognised as the Council does not control the asset. When a Community school converts to academy status, it will be derecognised in the Authority's accounts at the point of transfer.

As at 31 March 2014 CIPFA were consulting with Local Authorities regarding the possibility of recognising all schools buildings and land, with the exception of Academies or Academy type schools. If the proposal does proceed and is incorporated in the 2014/15 CIPFA Code, these assets will be brought onto the Council's accounts in the 2014/15 financial year.

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 £1,100k
Provisions on bad debt and arrears	Bad debt provisions are inherently estimates,	If the provision for bad debt is incorrect, there

	based on past data. It is possible that the Council may over or under provide for its bad debt.	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 £114k.
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 independent actuary firm estimates the 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 £3,000k charged to the Comprehensive Income and Expenditure Statement, reversed out to the Pension Reserve as per regulations.
Non Domestic Rates (NDR) Appeals	The Council has set aside a provision to cover successful appeals lodged against NDR banding with the Valuations office, based on a professional estimate of outstanding appeals.	If the provision is incorrect, there would be an impact on the collection fund balance. A 1% increase in the provision would lead to an increase of £927k charged to the Collection Fund. This would be split between the Council and preceptors, with 49% of this amount impacting the Council.
Others: • Accruals • Trading a/c's overheads HRA proportion of pensions	<ul style="list-style-type: none"> Actual amount differs from estimate 	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:

<u>Area</u>	<u>Narrative</u>	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Comprehensive Income & Expenditure Statement – Other Operating Expenditure Disposals of Non-Current Assets	Schools Converting to Academy or University Technology College status	49,739	27,883

6. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Finance Officer (Section 151 Officer) on 30th June 2014. 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 2014, 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.

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.

<u>2013/14</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>
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debits / credits to the Comprehensive Income and Expenditure Statement:							
Depreciation	(18,571)	(3,332)	-	-	-	-	21,903
Revaluation Gains/(losses) on Property, Plant and Equipment	(2,523)	16,477	-	-	-	-	(13,954)
Movement in the market value of investment properties	1,727	-	-	-	-	-	(1,727)
Amortisation of intangible assets	(549)	-	-	-	-	-	549
Capital grants and contributions applied	44,564	-	-	-	-	-	(44,564)
Revenue expenditure funded from capital under statute	(19,773)	-	-	-	-	-	19,773
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	(26,168)	(1,658)	-	-	-	-	27,826
Insertion of items not debits / credits to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	7,074	-	-	-	-	-	(7,074)
Capital expenditure charged against the General Fund and HRA balances	1,428	828	-	-	-	-	(2,256)
Adjustments primarily involving the Capital Grants Unapplied Reserve							
Capital Grants and Contributions unapplied in year	23,864	-	-	(23,864)	-	-	0
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sales proceeds credit as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	2,651	2,327	(4,978)	-	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,851	-	-	-	(2,851)
Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool	(438)	-	438	-	-	-	0
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credit to the HRA	3,332	-	-	-	(3,332)	-	0
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	-	6,569	-	(6,569)
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year	116	-	-	-	-	-	(116)

in accordance with statutory requirements							
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefit debits / credits to the Comprehensive Income and Expenditure Statement	(26,485)	(1,246)	-	-	-	-	27,731
Employer's pensions contributions and direct payments to pensioners payable in year	16,197	712	-	-	-	-	(16,909)
Adjustment primarily involving the Collection Fund Adjustment Account:							
Amount by which Council Tax income credit to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculation for the year in accordance with statutory requirements	1,518	-	-	-	-	-	(1,518)
Amount by which NDR income credit to the Comprehensive Income and Expenditure Statement is different from NDR income calculation for the year in accordance with statutory requirements	(1,174)	-	-	-	-	-	1,174
Adjustment primarily involving the Accumulated Absences Account:							
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	493	-	-	-	-	-	(493)
Total Adjustments:	7,282	14,108	(1,689)	(23,864)	3,237		926

<u>2012/13</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>
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debits / credits to the Comprehensive Income and Expenditure Statement:							
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
Insertion of items not debits / credits to the Comprehensive Income and							

Expenditure Statement:							
Statutory provision for the financing of capital investment	5,874	-	-	-	-	-	(5,874)
Capital expenditure charged against the General Fund and HRA balances	528	-	-	-	-	-	(528)
Adjustments primarily involving the Capital Receipts Reserve:							
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	-	-	-	0
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credit to the HRA	3,237	-	-	-	(3,237)	-	0
Adjustments primarily involving the Financial Instruments Adjustment Account:							
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)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefit debits / credits to the Comprehensive Income and Expenditure Statement	(20,121)	(1,063)	-	-	-	-	21,184
Employer's pensions contributions and direct payments to pensioners payable in year	14,411	667					(15,078)
Adjustment primarily involving the Collection Fund Adjustment Account:							
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)
Adjustment primarily involving the Accumulated Absences Account:							
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)
Total Adjustments:	(78,632)	(5,862)	(657)	-	(3,237)	-	88,388

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 2013/14.

	Balance 31/03/2012 £'000	Out 12/13 £'000	In 12/13 £'000	Balance 31/03/2013 £'000	Out 13/14 £'000	In 13/14 £'000	Balance 31/03/2014 £'000
<u>Corporate</u>							
<u>Redundancy Reserve</u>							
To cover future redundancy and related pension costs	3,329	(910)	750	3,169	(754)	0	2,415
<u>Insurance Reserve</u>							
To cover insurance costs based on actuarial assessments	4,221	(1,386)	503	3,338	(214)	1,280	4,404
<u>Government Reform and Funds Reductions</u>							
To address any unbudgeted implications of the Government's welfare reforms and reductions in the Early Intervention Grant.	0	0	1,693	1,693	(1,693)	0	0
<u>Non Domestic Rates Reserve 13/14</u>							
To fund Non-Domestic Rates shortfalls in future years	0	0	0	0	0	502	502
<u>Section 31 Non-Domestic Rate Grant 13/14</u>							
Grant funding related to pressures which will be faced the 14/15 financial year relating to Non Domestic Rates	0	0	0	0	0	1,018	1,018
<u>Great Places Fund 13/14</u>							
Funds set aside to enhance the council area	0	0	0	0	0	1,000	1,000
<u>Other Corporate Reserves</u>							
Various reserves to develop the Council's business processes and ICT.	889	(794)	1,874	1,969	(469)	478	1,978
Total Corporate Reserves	8,439	(3,090)	4,820	10,169	(3,130)	4,278	11,317
<u>Environment and Planning</u>							
<u>Regeneration Reserve</u>							
Support for regeneration schemes.	492	(58)	0	434	(94)	0	340
<u>Waste Management</u>							
Funds set aside to contribute towards the waste service preparation Bedfordshire Recycling project.	0	0	449	449	(449)	0	0
<u>Pre-Application Service Development</u>							
To support technical expertise for Planning Performance Agreements.	200	(65)	153	288	(146)	160	302

<u>Other Environmental Reserves</u> Includes reserves to support open space development and community safety.	1,597	(237)	539	1,899	(273)	1,091	2,717
Total Environment and Planning Reserves	2,289	(360)	1,141	3,070	(962)	1,251	3,359
<u>Children's Services</u>							
<u>School Specific Contingency</u> Ringfenced Dedicated Schools Grant Funding	900	(92)	0	853	(225)	2,439	3,067
<u>Other Dedicated Schools Grant Funding</u> Grant funding held as reserve for schools	965	(920)	0	0	0	0	0
<u>Early Intervention Grant Funding</u> Grant funding received held as reserve	505	(505)	0	0	0	0	0
<u>Looked After Children</u> Funds set aside to provide for emerging budget issues in the review of the Council's Safeguarding role.	0	0	1,200	1,200	(1,200)	0	0
<u>Fostering and Adoption 13/14</u> Funds set aside for Fostering and Adoption	0	0	0	0	0	998	998
<u>Other Children's Services</u> Reserves to support Children's Services	1,421	(855)	443	1,009	(768)	1,159	1,400
Total Children's Services Reserves	3,791	(2,372)	1,643	3,062	(2,193)	4,596	5,465
<u>Social Care, Health and Housing Reserves</u>							
<u>Learning Disabilities Campus Closure</u> Reprovision of Learning Disabilities Services	601	(180)	0	421	(76)	0	345
<u>Deregistration of Care Homes</u> Costs associated with deregistration a national care home provider	566	(133)	0	433	(152)	0	281
<u>Outcome Based Commissioning</u> Project costs associated with efficiencies and service development.	347	(405)	3,125	3,067	(62)	500	3,505
<u>Step Up / Step Down</u> Grant funding reserved to fund a scheme to reduce unnecessary admissions to hospitals and support independent living.	674	(184)	0	490	0	0	490
<u>Other Social Care Health and Housing Reserves</u> Includes grant funding carried forward and funds set aside to fund Social Care							

initiatives	1,819	(1,342)	246	658	(255)	1,668	2,071
Total Social Care Health and Housing Reserves	4,007	(2,244)	3,371	5,069	(545)	2,168	6,692
Public Health Reserves							
Public Health							
Underspend of grant funding carried forward	0	0	0	65	(65)	927	927
Total Public Health	0	0	0	65	(65)	927	927
Total General Fund Earmarked Reserves	18,525	(8,066)	10,975	21,435	(6,895)	13,220	27,760
Housing Revenue Account (HRA)*							
Earmarked Reserves							
Extra Care development	0	0	8,653	8,653	(1,800)	5,263	12,116
Strategic Reserve	0	0	1,284	1,284	0	5,110	6,394
Total HRA Earmarked Reserves	0	0	9,937	9,937	(1,800)	10,373	18,510

* Non earmarked HRA balances are shown in the Movement in Reserves Statement on page 17.

9. Other Operating Expenditure

	2012/13	2013/14
	£'000	£'000
Payments of precepts to Parishes	9,301	10,265
Levies payable	686	680
Payments to Housing Capital Receipts Government Pool	360	438
Loss on Disposal of non-current Assets - non-current tangible	80,701	22,131
Trading Accounts	490	205
Total	91,538	33,718

10. Financing and Investment Income and Expenditure

	2012/13	2013/14
	£'000	£'000
Interest payable on debt	9,238	9,295
Interest element of finance leases (lessee)	60	41
Interest payable on PFI unitary payments	1,578	1,578
Net IAS19 interest expense	11,827	13,604
Interest and Investment Income	(986)	(788)
Changes in fair value of investment properties	633	(1,727)
Gain on disposals of investment properties	0	718
Rentals received on investment properties	(1,979)	(3,278)
Expenses incurred on investment properties	726	799
Total	21,097	20,242

11. Taxation and Non-Specific Grant Income and Expenditure

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Council Tax income	(137,489)	(128,361)
Non-Domestic Rates (NDR)	(47,069)	(36,256)
NDR Tariff Payment to Central Government	0	8,995
NDR Levy Payment to Central Government	0	42
NDR S31 Grant Income	0	(1,019)
Revenue Support Grant (RSG) and non-ring fenced government grants	(4,142)	(44,018)
Recognised capital grants and contributions	(38,481)	(68,429)
Total	(227,181)	(269,046)

The increase in the Revenue Support Grant is due to a number of funding streams being amalgamated into formula grant funding. This includes funding provided as part of the Council Tax Support Scheme and resulting from changes which enabled councils to retain a share of Business Rate income.

12. Property, Plant and Equipment: Movements on balances

2013/14	<u>Council Dwellings (HRA)</u>	<u>Other Land & Buildings (HRA)</u>	<u>Other Land & Buildings (non-HRA)</u>	<u>Vehicles, Plant, Furniture & Equipment</u>	<u>Finance Leases- Multi Functional Equipment</u>	<u>Finance Leases- fleet vehicles</u>	<u>Infra-structure</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets under Construction</u>	<u>Total Property, Plant and Equipment (PPE)</u>
	<u>£'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 2013	303,876	4,294	326,175	18,574	1,121	417	237,144	1,995	1,309	21,655	916,560
Additions	7,598	0	17,411	1,784	0	0	21,918	713	173	12,367	61,964
Revaluation inc/(dec) rec in Revaluation Reserve	1,471	101	12,033	0	0	0	0	0	0	0	13,605
Revaluation inc/(dec) rec in surplus/deficit on provision of services	16,423	0	(1,451)	0	0	0	0	(2)	(1,016)	0	13,953
De-recognition - disposals	(1,658)	0	(28,464)	(93)	0	0	0	(152)	0	0	(30,367)
Assets reclass (to)/from Assets under Construction	0	0	3,034	83	0	0	0	0	0	(3,116)	0
Assets reclassified (to)/from Investment Properties	0	120	0	0	0	0	0	0	0	0	120
Assets reclassified (to)/from Held for Sale	0	0	234	4	0	0	0	0	0	0	238
Assets reclassified (to)/from Other Land & Buildings	227	0	(227)	0	0	0	0	0	0	0	0
Accumulated depreciation w/o due to revaluation	(3,278)	(57)	(4,893)	0	0	0	0	0	(80)	0	(8,308)
As at 31st March 2014	324,659	4,458	323,852	20,352	1,121	417	259,062	2,553	386	30,906	967,766
At 1st April 2013	(7)	(65)	(22,445)	(13,408)	(448)	(417)	(44,031)	(3)	(102)	0	(80,926)
Reclassifications following reconciliation											
Depreciation charge in year	(3,257)	(80)	(8,883)	(1,299)	(224)	0	(8,129)	0	(31)	0	(21,902)
De-recognition - disposals	0	0	3,179	80	0	0	0	0	0	0	3,259
De-recognition - other	3,278	57	4,893	0	0	0	0	0	80	0	8,308
Assets reclassified (to)/from Held for Sale	0	0	(18)	(2)	0	0	0	0	0	0	(21)
Assets reclassified (to)/from Council Dwellings	(23)	0	23	0	0	0	0	0	0	0	0
As at 31 March 2014	(9)	(88)	(23,251)	(14,630)	(672)	(417)	(52,160)	(3)	(53)	0	(91,282)
<u>Net book value:</u>											
at 31 March 2013	303,869	4,229	303,730	5,166	673	0	193,113	1,992	1,207	21,655	835,634
at 31 March 2014	324,650	4,370	300,601	5,722	449	0	206,902	2,550	333	30,906	876,483

2012/13	<u>Council Dwellings (HRA)</u>	<u>Other Land & Buildings (HRA)</u>	<u>Other Land & Buildings (non-HRA)</u>	<u>Vehicles, Plant, Furniture & 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
As at 31st March 2013	303,876	4,294	326,175	18,574	1,121	417	237,144	1,995	1,309	21,655	916,560
<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
As at 31 March 2013	(7)	(65)	(22,445)	(13,408)	(448)	(417)	(44,031)	(3)	(102)	0	(80,926)
<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
at 31 March 2013	303,869	4,229	303,730	5,166	673	0	193,113	1,992	1,207	21,655	835,634

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 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £6.5m. Similar commitments at 31 March 2013 were £2.9m. The major commitments are:

- A1 Biggleswade South Roundabout - £3.2m
- Church End Lower School - £2.3m
- Local Broadband Infrastructure - £1.0m

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 March 2014. All valuations, except Council dwellings, were carried out internally. Council Dwelling valuations are provided by the external Chartered Surveyors Wilkes Head & Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

The significant assumptions applied in estimating the fair values are:

- Good freehold title to the properties owner occupied, held as investments, or surplus to requirements
- Good adequate leasehold or other short-term tenure for the properties held leasehold for operational purposes
- Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings
- Building structures, electrical heating and building service apparatus are in good repair and condition
- No contaminative or potential contaminative uses have ever been carried out in any of the properties
- For Depreciated Replacement Cost purposes that planning permission would be received without onerous or unusual conditions for alternative uses on the built area
- That repairs and maintenance expenditure is at an acceptable level and there is no significant backlog.

	<u>Council Dwellings (HRA)</u>	<u>Other Land & Buildings (HRA)</u>	<u>Other Land & Buildings (non-HRA)</u>	<u>Vehicles, Plant, Furniture & 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	5,722	448	206,901	2,550	0	0	215,622
Valued at fair value as at:										
31 March 2014	324,650	4,371	300,603	0	0	0	0	331	30,905	660,861
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
Total cost or valuation	324,650	4,371	300,603	5,722	448	206,901	2,550	331	30,905	876,483

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Rentals received on investment properties	(1,979)	(3,278)
Direct operating expenses arising from investment properties	726	799
Net (gain) for fair value adjustment	(1,253)	(2,479)

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

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

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of the year	79,264	78,809
Reclassification	94	1,763
Enhancement	84	101
Disposals	0	(718)
Net gain/(losses) from fair value adjustment	(633)	1,722
Balance at year end	78,809	81,676

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 2013/14 (£0.5m 2012/13) 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:

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of the year		
Gross carrying amounts	14,615	15,550
Accumulated amortisation	(7,965)	(8,472)
Net carrying amount at start of year	6,650	7,078
Purchases	527	228
From Assets under construction	408	0
Disposals	0	0
<u>Reversals of past impairment losses written back to the surplus/(deficit) on the provision of services:</u>		
Amortisation for the period	(507)	(549)
Net carrying amount at the year end	7,078	6,757
<u>Comprising:</u>		
Gross carrying amounts	15,550	15,778
Accumulated amortisation	(8,472)	(9,021)
Total	7,078	6,757

15. Financial Instruments

Categories of Financial Instruments:

The following categories of financial instrument are carried in the Balance

	2012/13		2013/14	
	<u>Long term</u>	<u>Current</u>	<u>Long term</u>	<u>Current</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Investments:				
Loans and receivables	4,724	20,118	4,852	14,124
Available for sale financial assets	276	0	148	0
Total Investments	5,000	20,118	5,000	14,124
Debtors:				
Loans and receivables	1,117	39,741	574	29,016
Total Debtors	1,117	39,741	574	29,016
Borrowings:				
Financial liabilities at amortised cost	(306,225)	(8,792)	(289,961)	(17,552)
Total Borrowing	(306,225)	(8,792)*	(289,961)	(17,552)*
Other long term liabilities:				
PFI and finance lease liabilities	(17,409)	0	(16,820)	0
Liability related to defined benefit pension scheme	(303,822)	0	(307,141)	0
Total other long term liabilities	(321,231)	0	(323,961)	0
Creditors:				
Financial liabilities carried at contract amount	0	(33,850)	0	(41,555)
Finance Leases - multi functional device printers	(132)	(371)	0	(261)
Total creditors	(132)	(34,221)	0	(41,816)
Grand total	(621,471)	16,846	(608,348)	(16,228)

* includes accrued interest of £1,179k (£1,235k in 2012/13)

Cash and Cash Equivalents of £6,072k (£7,402k in 2012/13) have not been included as current investments in the above table as they are disclosed separately in note 18.

Income, Expense, Gains and Losses:

2013/14	<u>Financial liabilities at amortised cost</u>	<u>Financial Asset loans & received</u>	<u>Financial Assets available for sale</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Interest expense	9,295	0	0	9,295
Interest income	0	(447)	(249)	(696)
Net (gain)/loss for the year	9,295	(447)	(249)	8,599

2012/13	<u>Financial liabilities at amortised cost</u> <u>£'000</u>	<u>Financial Asset loans & 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
Interest income	0	(731)	(256)	(987)
Net (gain)/loss for the year	9,432	(731)	(256)	8,445

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>2012/13 Carrying amount</u> <u>£'000</u>	<u>2012/13 Fair Value</u> <u>£'000</u>	<u>2013/14 Carrying amount</u> <u>£'000</u>	<u>2013/14 Fair Value</u> <u>£'000</u>
Financial Liabilities	(315,017)	(357,990)	(307,514)	(329,775)
Long term creditors	(132)	(132)	0	0

	<u>2012/13 Carrying amount</u> <u>£'000</u>	<u>2012/13 Fair Value</u> <u>£'000</u>	<u>2013/14 Carrying amount</u> <u>£'000</u>	<u>2013/14 Fair Value</u> <u>£'000</u>
Loans and receivables*	24,841	24,841	18,923	18,923
Long term debtors	1,117	1,117	574	574

*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.

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

16. Inventories

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

17. Debtors

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Central government bodies	14,224	9,627
Other Local Authorities	3,562	3,507
NHS bodies	2,371	4,826
Public corporations and trading funds	6,770	65
Other entities and individuals*	24,439	34,877
Impairment allowance for uncollectable debts	(3,274)	(5,959)
Total	48,092	46,944

Debtors are presented net of impairment.

* Includes balances such as rent arrears, Council Tax and trade debtors.

18. Cash and Cash Equivalents

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

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Bank current accounts	15,905	13,011
Cash equivalents - liquid short term investment (overnight)	7,402	6,072
Total Cash and Cash Equivalents	23,307	19,083

19. Assets Held for Sale

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance outstanding at start of year	2,961	2,700
Assets newly classified as held for sale:		
Property, Plant & Equipment	3,117	0
Revaluation gains	7	0
Impairment losses	(245)	0
Assets declassified as held for sale:		
Property, Plant & Equipment	0	(218)
Investment Properties	0	(1,876)
Assets sold	(3,117)	0
Other movements	(23)	0
Balance outstanding at year end	2,700	606

20. Creditors

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Central government bodies	(1,869)	(1,630)
Other Local Authorities	(4,067)	(3,896)
NHS bodies	(104)	(833)
Public corporations and trading funds	(1)	(0)
Other entities and individuals	(30,755)	(38,073)
Finance leases - fleet vehicles	(16)	(16)
Finance leases - multi functional devices printers	(371)	(261)
Total	(37,183)	(44,709)

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>
Balance outstanding at start of year	(223)	(2,936)	(1,022)	(4,180)
Additional provisions made in year	(9)	(533)	(1,041)	(1,583)
Amounts used in year	114	956	129	1,199
Unused amounts reversed in year	109	0	0	109
Balance outstanding at year end	(9)	(2,513)	(1,935)	(4,456)

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.

Other Provisions:

Other provisions include a provision for Local Land Charges, a provision for the Council's share of appeals against Non Domestic Rates and repayments that may be due to Central Government as a result of settling a final position on the Housing Benefit Subsidy grant claim.

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Revaluation Reserve (a)	(46,494)	(59,300)
Available for Sale Financial Instruments Reserve (b)	276	148
Capital Adjustment Account (c)	(483,292)	(493,035)
Financial Instruments Adjustment Account (d)	1,833	1,717
Pension Reserve (e)	303,829	307,141
Collection Fund Adjustment Account (f)	1,105	762
Accumulating Compensated Absences Account (g)	3,435	2,942
	(219,308)	(239,625)

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of year	(44,952)	(46,494)
Upward revaluation of assets	(12,209)	(14,038)
Downward revaluation of assets & impairment losses not charged to the (surplus) / deficit on the provision of services	709	433
(Surplus) / deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	(11,500)	(13,605)
Difference between fair value depreciation and historical cost depreciation	1,086	1,478
Historic revaluation balances written off	0	(648)
Accumulated gains on assets sold or scrapped	8,872	(30)
Amount written off to the Capital Adjustment Account	9,958	800
Balance at year end	(46,494)	(59,299)

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of year	312	276
Upward revaluation of investments	0	0
Downward revaluation of investments not charged to the (surplus) / deficit on the provision of services	(36)	(128)
Balance at year end	276	148

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 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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of year	(561,001)	(483,292)
Reversal of items relating to capital expenditure debits/credits to Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	20,637	21,903
Revaluation losses on Plant, Property & Equipment	9,323	5,638
Amortisation of intangible assets	507	549
Revenue expenditure funded from capital under statute	21,085	19,773
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	85,283	27,826
HRA self financing	0	0
Revaluations reversing previous revaluation losses	(1,251)	(19,591)
	<u>135,584</u>	<u>56,098</u>
Adjusting amounts written out of the Revaluation Reserve	(9,958)	(1,447)
Revaluation reserve historic balances written off	0	648
Net written out amount of the cost of non-current assets consumed in the year	<u>125,626</u>	<u>55,299</u>
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(3,665)	(2,851)
Use of the Major Repairs Reserve to finance new capital expenditure	0	(6,569)
Capital grants and contribution's credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(38,481)	(44,564)
Statutory provision for the financial of capital investment charged against the General Fund and HRA balances	(5,874)	(7,074)
Capital expenditure charged against the General Fund and HRA balances	(530)	(2,256)
	<u>(48,550)</u>	<u>(63,314)</u>
Movement in the market value of Investment Properties debits / credits to the Comprehensive Income and Expenditure Statement	633	(1,727)
Balance at year end	(483,292)	(493,035)

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of year	1,949	1,833
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(116)	(116)
Balance at year end	1,833	1,717

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of year	249,620	303,829
Actuarial gains or losses on pensions assets and liabilities	48,436	(7,510)
Reversal items relating to retirement benefits debited / credited to the (surplus) / deficit on the provision of services in the Comprehensive Income and Expenditure Statement	20,851	27,731
Employers pensions contributions and direct payments to pensions payable in year	(15,078)	(16,909)
Balance at year end	303,829	307,141

f) Collection Fund Adjustment Account:

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

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of year	1,581	1,105
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	(476)	(1,518)
Income and Expenditure Statement is different from Non Domestic Rates income calculated for the year in accordance with statutory requirements	0	1,175
Balance at year end	1,105	762

g) 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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance at start of year	5,034	3,435
Settlement or cancellation of accrual made at the end of the preceding year	(5,034)	(3,435)
Balance at year end	3,435	2,942
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	(1,599)	(493)

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
<u>Surplus / (deficit) on the provision of services</u>	(67,472)	35,978
Depreciation and impairment	26,175	35,856
Amortisation	507	549
Movement in Pension Liability	(6,106)	(10,822)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	84,569	27,826
Other non-cash items charged to the net surplus on the provision of services	5,235	(3,613)
(Increase) / decrease in debtors	7,527	1,149
(Increase) / decrease in creditors	15,258	(7,526)
	133,165	43,416
<u>Adjustment for items that are Investing and Financial activities</u>		
Interest and investment income	8,253	8,507
Proceeds from Disposal of assets	(3,591)	(4,978)
Capital Grants Credited to surplus or deficit on the provision of services	(38,481)	(68,428)
	(33,819)	(64,899)
Net cash flows from operating activities	32,540	14,495

25. Cash Flow Statement - Investing Activities

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Purchase of property, plant and equipment, investment properties and intangible assets	(52,326)	(62,282)
Purchase of short term and long term investments	(7,322)	5,994
Other payments for investing activities	(9,238)	(9,295)
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	3,591	4,978
Capital grants	35,521	68,428
Proceeds from short term and long term investments	986	788
Other receipts from investing activities	(21,085)	(19,773)
Net cash flows from investing activities	(49,874)	(11,162)

26. Cash Flow Statement - Financing Activities

	<u>2012/13</u> <u>£'000</u>	<u>2013/4</u> <u>£'000</u>
Repayments of short term and long term borrowing	(5,038)	(7,558)
Other payments for financing activities		
Net cash flows from financing activities	(5,038)	(7,558)

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:

	<u>Children's Services</u>	<u>Improvement & Corporate Services</u>	<u>Social Care, Health, Housing & Public Health</u>	<u>Regeneration and Community Services</u>	<u>Corporate Resources and Corporate Costs</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
2013/14						
Directorate Net Budget	39,206	23,843	65,901	43,815	16,199	188,964
Directorate expenditure:						
Employee Expenses	17,038	15,301	15,689	18,982	7,968	74,978
Other Service Expenses	53,149	20,631	86,572	39,349	79,325	279,026
Total Expenditure	70,187	35,932	102,261	58,331	87,293	354,004
Directorate Income:						
Fees, charges & other service income	(27,951)	(13,726)	(38,781)	(15,041)	(76,490)	(171,989)
Net Costs	42,236	22,206	63,480	43,290	10,803	182,015
Transfers to and (from) reserves	470	(157)	2,486	(20)	3,585	6,364
Actual after Reserve Transfers	42,706	22,049	65,966	43,270	14,388	188,379
Surplus reported to management						585
2012/13						
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
Total Expenditure	66,837	157,961	85,921	59,069	14,424	384,212
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
Actual after Reserve Transfers						178,421
Surplus reported to management						528

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.

	2012/13	2013/14
	£'000	£'000
Net Expenditure in Directorate Analysis	178,421	188,379
Items not included in Management reporting but included in Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
HRA Balance	(9,564)	(8,583)
Depreciation, Amortisation and Impairment	23,448	8,498
Pensions charged to services	(5,728)	(10,822)
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	21,085	19,773
Accrual for Accumulated Absences	(4,874)	(493)
	<u>24,367</u>	<u>8,373</u>
Items included in Management reporting but not included in Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
Earmarked Reserve Transfers	(8,451)	(5,112)
Interest Payable/Receivable	(5,912)	(6,249)
Statutory Provision for Financing Capital Investment	(5,874)	(7,074)
Other Movements	(533)	790
	<u>(20,770)</u>	<u>(17,645)</u>
Cost of Services in Comprehensive Income and Expenditure Statement	182,018	179,107

Reconciliation to subjective analysis:

	Directorate analysis	Amounts not reported to management	Amounts not included in Income & Exp	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2013/14						
Fee, charges & other service income	(101,394)	(125)		(101,519)		(101,519)
Interest & Investment Income (note 10)	(698)		698		(789)	(789)
Income from Council Tax (note 34)					(128,361)	(128,361)
Income from Non Domestic Rates					(27,261)	(27,261)
Government grants and contributions (note 34)	(69,897)			(69,897)	(113,423)	(183,320)
Investment properties value, expenses and rents					(3,489)	(3,489)
Total Income	(171,989)	(125)	698	(171,416)	(273,323)	(444,739)
Employee expenses	74,978			74,978		74,978
Other service expenses	278,443		(11,396)	267,047	205	267,252
Support service recharges						
Depreciation, amortisation and impairment		8,498		8,498		8,498
Interest payments (note 10)	6,947		(6,947)		10,915	10,915
Pension interest costs (note 10)					13,604	13,604
Precepts and Levies (note 9)					10,946	10,946
Payment to Housing Capital Receipts Pool (note 9)					438	438

Gain or loss on disposal of fixed assets (note 9)					22,131	22,131
Total Expenditure	360,368	8,498	(18,343)	350,523	58,238	408,761
(Surplus) / deficit on the provision of services	188,379	8,373	(17,645)	179,107	(215,085)	(35,978)

	Directorate analysis	Amounts not reported to management	Amounts not included in Income & Exp	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2012/13						
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)
Total Income	(214,242)	0	987	(213,255)	(245,016)	(458,271)
Employee expenses	117,685			117,685		117,685
Other service expenses	268,079	919	(14,858)	254,140	490	254,630
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
Total Expenditure	392,663	24,367	(21,757)	395,273	130,136	525,409
(Surplus) / deficit on the provision of services	178,421	24,367	(20,770)	182,018	(114,880)	67,139

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:

		2012/13		2013/14	
		£'000	£'000	£'000	£'000
Car Parks:					
Parking management aims to support the local economy and facilitate development growth within Central Bedfordshire area. Cumulative spend over 3 years: £3,404k	Turnover	(1,336)		(1,262)	
	Expenditure	1,161		1,116	
	(Surplus)/deficit		(175)		(146)
Albion Archaeology:					
Provides a range of archaeological and other historic environment services to developers to facilitate sustainable growth and economic development within Central Bedfordshire	Turnover	(1,507)		(1,432)	

area. Cumulative spend over 3 years: £4,907k	Expenditure (Surplus)/deficit	1,825 318	1,713 281
Leighton Buzzard Theatre: A theatre and cinema venue based in Leighton Buzzard. Cumulative spend over 3 years: £1,070k	Turnover Expenditure (Surplus)/deficit	(210) 443 233	(232) 280 48
Building Control: The processing of building regulation applications, site inspections and related fee earning activities. Cumulative spend over 3 years: £1,739k	Turnover Expenditure (Surplus)/deficit	(672) 598 (74)	(736) 586 (150)
Community Buildings: Rental and other income, and expenditure relating to Beecroft Centre in Dunstable. Cumulative spend over 3 years: £0k	Turnover Expenditure (Surplus)/deficit	(4) 4 0	(5) 59 54
Community Leases/Licenses: Rental and other income, and expenditure relating to various land and property. Cumulative spend over 3 years: £84k	Turnover Expenditure (Surplus)/deficit	(43) 40 (3)	(63) 22 (41)
Depots & Storage Facilities: Rental and other income, and expenditure relating to various depots and storage facilities. Cumulative spend over 3 years: £1k	Turnover Expenditure (Surplus)/deficit	(36) 0 (36)	(75) 1 (74)
Criminal Records Bureau: An administration service to Central Bedfordshire Council, Schools and other external organisations. Cumulative spend over 3 years: £348k	Turnover Expenditure (Surplus)/deficit	(127) 123 (4)	(89) 75 (14)
Schools HR: A provision of HR services for schools. Cumulative spend over 3 years: £703k	Turnover Expenditure (Surplus)/deficit	(128) 128 0	0 0 0
Schools Traded Services: A service for schools providing expertise on a number of school issues i.e. financial advice, financial software support, LTA administration and subscription administration. Cumulative spend over 3 years: £521k	Turnover Expenditure (Surplus)/deficit	(46) 43 (3)	0 0 0
Silsoe Horticultural Centre: A horticultural centre which includes various activities for customers to participate in, a tearoom, the sale of plant and vegetables, and also hosts events. Cumulative spend over 3 years: £745k	Turnover Expenditure (Surplus)/deficit	(22) 256 234	(21) 268 247
Net (surplus) / deficit on trading operations		490	205

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 2013/14 the Council continued responsibility for hosting the pooled budget.

The partners contributed funds to the agreed budget equal to 21% (CBC), 13% (BBC) and 66% (NHSB) of the budget respectively. The same proportions were used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement outlined below:

Bedfordshire Community Equipment Service:	2012/13		2013/14	
	£'000	£'000	£'000	£'000
Funding provided to the pooled budget:				
Central Bedfordshire Council	(448)		(469)	
Bedford Borough Council	(291)		(305)	
Bedfordshire CCG			(1,503)	
CBC - Paediatrics			(24)	
NHS Bedfordshire	(1,435)			
Total Funding		(2,174)		(2,301)
Expenditure met from the pooled budget:				
Luton Borough Council	0		0	
Central Bedfordshire Council	2,174		2,301	
Bedford Borough Council	0		0	
NHS Bedfordshire				
Total Expenditure		2,174		2,301

30. Members' Allowances

The Council paid, during the year, the following amounts:

	2012/13	2013/14
	£'000	£'000
Salaries	942	941
Allowances	3	3
Employers National Insurance	72	69
Pension Contributions	77	88
Expenses	130	123
Total	1,224	1,224

31. Officers' Remuneration

Senior Officers are defined by the Authority as any officer at Director level or above, plus the Chief Finance Officer (Section 151) and Monitoring Officer. During 2013/14, this classification included the:

- Chief Executive
- Six Directors
- The Chief Finance Officer (Section 151)
- Monitoring Officer
- Chief Legal & Democratic Services Officer

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

	Salary, Fees & Allowances	Expenses & Other Payments	Total Remuneration Excluding Pension contributions	Pension Contributions	Total
Richard Carr – Chief Executive 2013/14 2012/13	181,300 181,331	1,300 1,062	182,600 182,393	43,331 39,705	225,931 222,098
Gary Alderson – Director of Sustainable Communities 2013/14 2012/13	0 130,340	0 440	0 130,780	0 28,544	0 159,324
Edwina Grant – Deputy Chief Executive & Director of Childrens Services 2013/14 2012/13	153,988 153,904	1,241 598	155,229 154,502	36,713 33,641	191,942 188,143
Julie Ogley – Director social Care, Health & Housing 2013/14 2012/13	140,562 140,561	827 613	141,389 141,174	33,594 30,783	174,983 171,957
Charles Warboys – Chief Finance Officer (S151) 2013/14 2012/13	89,973 89,082	833 1,170	90,806 90,252	21,503 19,509	112,309 109,761
John Atkinson – Monitoring Officer 2013/14 2012/13	83,952 70,903	544 572	84,496 71,475	10,596 15,528	95,092 87,003
Alan Fleming – BEAR & Programme Director 2013/14 2012/13	130,744 101,457	1,450 1,814	132,194 103,271	18,279 22,788	150,473 126,059
Marcel Coiffait – Director of Community Services 2013/14	96,833	394	97,227	23,143	120,370
Deb Clarke – Director of Improvement & Corporate Services 2013/14	101,250	299	101,549	0	101,549
Melanie Clay – Chief Legal & Democratic Services Officer 2013/14	39,058	0	39,058	9,335	48,393
Jason Longhurst – Director of Regeneration & Business Support 2013/14	9,821	0	9,821	2,348	12,169
Total 2013/14 2012/13	1,027,481 867,578	6,888 6,269	1,034,369 873,848	198,842 190,498	1,233,211 1,064,345

Alan Fleming –Business Services Director left the Council in January 2014 and the above includes a redundancy payment made in year.

Marcel Coiffait –Director of Community Services commenced April 2013

Deb Clarke - Director of Improvement & Corporate Services commenced in a permanent role in July 2013, prior to which she was the Interim Assistant Chief Executive. She was paid £50k from April to July 2013 (£170k in 2012/13) which included fees for Deb Clarke and a margin for the interim management company.

Melanie Clay - Chief Legal & Democratic Services Officer commenced October 2013.

Jason Longhurst - Director of Regeneration & Business Support commenced February 2014.

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>2012/13</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2013/14</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	51	41	9	15
£55,000-£59,999	31	24	17	13
£60,000-£64,999	40	33	18	17
£65,000-£69,999	8	6	5	5
£70,000-£74,999	6	8	5	6
£75,000-£79,999	4	8	3	6
£80,000-£84,999	4	4	3	3
£85,000-£89,999	5	4	3	0
£90,000-£94,999	2	0	0	4
£95,000-£99,999	0	1	0	5
£100,000-£104,999	1	0	5	1
£105,000-£109,999	0	1	0	1
£110,000-£114,999	2	0	1	0
£115,000-£119,999	0	0	1	0
£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	0
£140,000-£144,999	0	0	1	0
£145,000-£149,999	0	0	1	1
£150,000-£154,999	0	1	0	0
Total	154	131	73	77

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

Exit Packages:

The total cost of £816k 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)	
	2012/13	2013/14	2012/13	2013/14
£0 - £20K	54	50	416	294
£20 - £40K	13	6	342	177
£40 - £60K	2	4	94	189
£60 - £80K	2	0	139	0
£80 - £100K	3	0	266	0
£100 - £150K	0	0	0	0
£150 - £200k	0	1	0	156
Total	74	61	1,257	816

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Fees payable to Audit Commission with regard to external audit services carried out by appointed auditor for the year	185	185
Fees payable to Audit Commission for certification of grant claims and returns for the year	55	52
Less: Rebates received from the Audit Commission	(20)	(25)
Total	221	212

33. Dedicated Schools Grant

The accumulated reserves of schools operating under local management arrangements were £11,826k at 31 March 2014 (£13,042k in 2012/13), which is carried forward into 2014/15

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), provided by the Department of Education. 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 2013/14 was used are as follows:

<u>Schools budgets funded from DSG:</u>	<u>Central Expenditure</u>	<u>Individual Schools Budgets</u>	<u>2013/14</u>

	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Final DSG as issued by the department in July 2013 (this does not include the Early Years January 2014 adjustment)			178,842
Academy figure recouped for 2013/14			78,632
Total DSG after academy recoupment for 2013/14			100,210
Brought forward from 2012/13			853
Carry forward to 2014/15 agreed in advance			
Agreed budgeted distribution in 2013/14	16,192	84,018	101,062
Actual central expenditure	13,979		
Actual ISB deployed to Schools		84,018	
Council contribution for 2013/14			
Carry forward to 2014/15	2,214	0	3,066
Reserves:			
Brought forward from 2012/13			853
Spend in 2013/14			(23)
Balance			830
Increase from DSG under spend			2,236
Balance at year end 2013/14			3,066
Net increase/(decrease) on reserves			2,213

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	<u>2012/13</u>	<u>2013/14</u>
	<u>£'000</u>	<u>£'000</u>
<u>Credited to taxation and non specific grant income and Expenditure:</u>		
Council Tax	(137,489)	(128,361)
Council Tax Freeze Grant	0	(1,310)
NDR Share of Income*	(47,069)	(36,256)
NDR (Tariff Paid out of NDR Income)*	0	8,995
NDR Levy	0	42
NDR S31 Grant	0	(1,019)
RSG and non-ring fenced govt grants	(4,142)	(42,708)
Recognised capital grants and contributions		
Section 106	(2,315)	(2,107)
Section 278	(2,794)	(4,302)
Devolved Formula Capital	(1,300)	(2,166)
University Technology College	(6,620)	0
Disabled Facilities Grant	(781)	0
Structural Maintenance	(3,920)	(4,022)
Integrated schemes	(1,431)	(1,751)
All Saints Academy funding	(6,775)	0
New School Places Programme	(4,348)	(27,930)
Schools Capital Maintenance	(4,358)	(5,775)
NHS Campus Closure	(1,211)	(4,802)

Woodside Link	0	(2,350)
A5/M1 link road	0	(1,053)
Alternative Provision Free School	0	(3,641)
Leisure Facilities Astral Park	0	(1,028)
A1 Biggleswade South Roundabout	0	(1,500)
Local Highways	0	(724)
Smarter Routes to Employment	0	(783)
Others (individually less than £1m)	(2,628)	(4,495)
	(38,481)	(68,429)
Total	(227,181)	(269,046)

*NDR income was received as a centrally distributed grant in 2012/13 but is retained as a share of business rates in 2013/14. Although not grant income, the 2013/14 income figures have been included in the table above for completeness.

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
<u>Credited to services:</u>		
Dedicated Schools Grant	(105,477)	(100,210)
Housing Benefit Subsidy	(77,366)	(61,280)
ISB Related YPLA	(4,365)	(2,652)
Learning Disability & Health Reform	(10,091)	0
Early Intervention Grant	(9,802)	(2,856)
NHS Grant	(2,160)	(3,099)
Housing Benefit Administration	(1,470)	(1,280)
Adult & Community Learning	(1,456)	(1,075)
Pupil Premium	(2,210)	(5,934)
New Homes	(2,903)	(4,985)
Drug & Alcohol Misuse	(341)	(288)
Offender Health Grant	0	(1,292)
Public Health Grant	0	(9,873)
Local Sustainable Transport Fund	0	(1,049)
Other Grants (individually less than £1m)	(6,693)	(9,530)
Total	(224,336)	(205,403)

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
<u>Capital Grants receipts in advance:</u>		
Devolved Formula Capital (Department for Education)	(1,207)	0
NHS Campus Closure (Department of Health)	(4,802)	0
Social Care SCP	0	(1,465)
Basic Need Grant	(13,727)	0
All Saints Grant	(789)	0
A5/M1 link road (Department for Transport)	(1,053)	0
Education Capital Maintenance Grant	(2,795)	0
Other grants (no individual grants over £1m)	(4,510)	(436)
Section 106	(22,609)	(19,608)
Section 278	(3,409)	(3,169)
Other contributions	0	(123)

Total	(54,901)	(24,801)
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Schools Places funding of £27,930k in 2013/14 is categorised within capital grants unapplied within usable reserves. The 2012/13 allocation was treated as a capital grant receipt in advance as part of the Basic Needs Grant.

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 2014 are shown in Note 34.

Members:

There are 59 members of the Council in total (59 as at 31/03/2013) who have direct control over the Council's financial and operating policies.

The total of members' allowances paid in 2013/14, is 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 2013/14 with the Council is provided below. Material financial transactions for this purpose are defined as those over £1,000k. If however the transactions are below £1,000k, but significant in relation to the total income and expenditure of the Related Party, they have been included within this disclosure.

Cllr	Organisation	Relationship	2013/14 Expenditure by the Council
D. Bowater	South Essex Partnership Trust	Governor	3,896,120.64
PN Aldis & R. Drinkwater	Aragon Housing Association	Member	751,801.78
R. Egan & P. Hollick	South Beds Dial a Ride	Member	171,223.81

Senior Officers:

Senior Officers are defined as per Note 31.

No material related party transactions relate to senior officers

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Opening capital financing requirement	374,571	399,434
Capital investment:		
Property, plant and equipment	51,715	61,962
Investment properties	84	101
Intangible assets	527	228
Revenue funded from capital under statute	21,085	19,773
Debt as a result of HRA self financing		
Sources of finance:		
Capital receipts	(3,665)	(2,851)
Government grant and other contributions	(38,481)	(44,564)
Major Repairs Allowance	0	(6,569)
Sums set aside from revenue:		
Direct revenue contributions	(528)	(2,256)
Minimum Revenue Provision / loans fund principal	(5,874)	(7,074)
Other movements	0	
Closing Capital Financing Requirement	399,434	418,184
Increase/(decrease) in Capital Financing Requirement	24,863	18,750

37. Leases

Council as Lessee:

Finance Leases:

The Council has acquired a number of 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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Vehicles, Plant, Furniture and Equipment: Multi-functional devices	673	448
Total	673	448

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
<u>Finance leases liabilities (net present value of minimum lease payments)</u>		
Current	(241)	(261)
Non-current	(261)	0
Finance costs payable in future years	(63)	(21)
Minimum lease payments	(565)	(282)

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

	<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>2012/13</u> <u>£'000</u>	<u>Minimum</u> <u>Lease</u> <u>Payments</u> <u>2013/14</u> <u>£'000</u>	<u>Finance</u> <u>lease</u> <u>Liabilities</u> <u>2013/14</u> <u>£'000</u>
Not later than one year	(283)	(241)	(283)	(261)
Later than one year and not later than five years	(283)	(261)	0	0
Total	(566)	(502)	(283)	(261)

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Not later than one year	273	265
Later than one year and not later than five years	560	440
Later than five years	504	414
Total	1,337	1,119

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Not later than one year	1,594	1,380
Later than one year and not later than five years	1,074	1,101
Later than five years	3,648	1,620
Total	6,316	4,101

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 £4,120k in 2013/14 (£4,050k in 2012/13) 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 service</u>	<u>Reimbursement of capital expenditure</u>	<u>Interest</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
Payable in 2013/14	2,071	552	1,581	4,204
Payable within 2 to 5 years	8,622	2,635	6,401	17,658
Payable within 6 to 10 years	13,333	2,703	8,121	24,157
Payable within 11 to 15 years	14,538	3,692	8,576	26,806
Payable within 16 to 20 years	15,872	5,009	8,979	29,860
Payable within 20 to 25 years	6,428	2,229	4,246	12,903
Total	60,864	16,820	37,904	115,588

Payments:

Unitary payments to the contractor are calculated to compensate the contractor for the fair value of services provided and the initial capital investment. The outstanding liability to the contractor for the capital expenditure incurred is as follows:

	<u>2012/13</u>	<u>2013/14</u>
	£'000	£'000
Balance outstanding at start of year	18,005	17,409
Payments during the year	(596)	(589)
Balance outstanding at year end	17,409	16,820

39. Capitalisation of Borrowing Costs

The Council has not capitalised borrowing costs during the 2013/14 financial year.

40. Termination Benefits

The Authority terminated the contracts of 61 employees in 2013/14, incurring direct redundancy costs of £816k (74 employees and £1,257k in 2012/13). These have been incurred as part of the Authority's drive to reduce operating costs.

Of this total, £46K was payable to the Business Services Director 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:

- £181K paid to 14 officers in Children's Services

- £137K paid to 8 officers in Corporate Services
- £459K paid to 33 officers in Regeneration & Community Services
- £39K paid to 6 officers in Social Care, Health & Housing

41. Pension Schemes Accounted for as Defined Contribution Schemes

The Council does not participate in any defined contribution schemes.

Teachers Pension Scheme

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 2013/14, the Council paid: £5.111 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.08% of pensionable pay (14.2% 2012/13). 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.

NHS Staff Pension Scheme

During 2013/14, NHS Staff have transferred to the Council. 19 staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff 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 an unfunded defined benefit scheme. However, the Council is not able to identify its share of the 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 2013/14, the Council paid £66k as Employers Contributions to the NHS Pension Scheme.

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
<u>Comprehensive Income and Expenditure Statement</u>		
<u>Cost of services:</u>		
Current service costs	11,731	15,003
Past service costs	0	0
(Gain)/Loss from Settlements	(2,374)	(876)
<u>Financing and Investment Income and expenditure:</u>		
Net Interest Expense	11,827	13,604
Total post-employment benefits charged to the (surplus) / deficit on the provision of services	21,184	27,731
<u>Other Post-employment benefits charged to Comprehensive Income and Expenditure Statement:</u>		
<u>Remeasurement of the net defined benefit liability comprising:</u>		
Return on plan assets (excluding the amount included in the net interest expense)	(18,507)	1,279
Actuarial gains and losses arising on changes in demographic assumptions	0	12,830
Actuarial gains and losses arising on changes in financial assumptions	66,940	(8,767)
Other (if applicable)	(330)	(12,852)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	48,103	(7,510)
<u>Movement in Reserves Statement:</u>		
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with code 129	21,184	27,731
<u>Actual amount charged against the General Fund balance</u>		

<u>for pensions in the year:</u>		
Employers contributions payable to scheme	13,739	15,606

Pensions assets and liabilities recognised in the balance sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows

	<u>2012/13</u>	<u>2013/14</u>
	<u>£000</u>	<u>£000</u>
Present value of funded liabilities	649,350	664,446
Present value of unfunded liabilities	20,193	19,917
Fair value of plan assets	(365,713)	(377,221)
Net liability arising from defined benefit obligation	303,830	307,142

Reconciliation of fair value of the scheme assets:

	<u>Funded & Unfunded</u>	
	<u>2012/13</u>	<u>2013/14</u>
	<u>£'000</u>	<u>£'000</u>
<u>Scheme Assets</u>		
Opening fair value of scheme assets	332,216	365,713
Interest Income	15,895	16,369
Remeasurement gain / (loss): The return on plan assets, excluding the amount in net interest expense	18,507	(1,279)
Other (if applicable)	0	0
Employer contributions	15,078	16,909
Contributions by employees into the scheme	4,048	4,142
Benefits paid	(16,392)	(23,478)
Other (if applicable)	(3,639)	(1,155)
Closing fair value of scheme assets	365,713	377,221

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

	<u>Funded & Unfunded liabilities</u>	
	<u>2012/13</u>	<u>2013/14</u>
	<u>£'000</u>	<u>£'000</u>
<u>Scheme Liabilities</u>		
Opening balance at 1st April	581,836	669,543
Current service costs	11,731	15,003
Interest cost	27,722	29,973
Contributions by scheme participants	4,048	4,142
Remeasurement (gains) / losses:		
Actuarial gains/losses arising from changes in demographic assumptions	0	12,830
Actuarial gains / losses arising on changes in financial assumptions	66,940	(8,767)
Other (if applicable)	(330)	(12,852)
Benefits paid	(16,392)	(23,478)
Past service costs	0	0
Losses/(gains) on curtailment (where relevant)	221	295
Liabilities extinguished on settlements (where relevant)	(6,233)	(2,326)
Closing balance at 31 March	669,543	684,363

Movements in scheme assets and liabilities include £1,303k (£1,339k in 2012/13) of contributions to unfunded pensions, all of which relate to the Local Government Pension Scheme.

Local Government Pension Scheme Assets Comprised

	Fair value of scheme assets	
	2012/13	2013/14
	£'000	£'000
Cash and cash equivalents	12,122	24,806
Equity instruments:		
By industry type		
Consumer	4,579	4,284
Manufacturing	2,524	3,050
Energy and utilities	5,697	6,245
Financial institutions	8,293	7,915
Health and care	5,480	6,281
Information technology	5,192	4,865
Other	4,218	3,667
Sub-total equity	35,983	36,307
Property:		
UK Property	27,172	29,457
Overseas Property	867	347
Sub-total property	28,039	29,804
Other investment funds:		
Equities	141,214	150,854
Bonds	76,484	68,796
Hedge Funds	13,155	0
Commodities	6,164	0
Infrastructure	0	0
Other	52,554	66,655
Sub-total other investment funds	289,571	286,305
Total assets	365,715	377,222
	Local Government Pension Scheme	
	2012/13	2013/14
<u>Long-term expected rate of return on assets in the scheme:</u>		
Equity investments	5.7%	6.6%
Bonds	3.2%	3.9%
Property	3.9%	4.8%
Cash	3.0%	3.7%
<u>Mortality assumptions:</u>		
Longevity at 65 for current pensioners:		
Men	21.6	22.4
Women	23.2	24.3
Longevity at 65 for future pensioners:		
Men	23.6	24.4
Women	25.6	26.8
Rate of inflation	2.8%	3.6%
Rate of increase in salaries	5.1%	3.6%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.5%	4.2%

All scheme assets have quotes prices in active markets.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that only life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	<u>Impact on the Defined Benefit Obligation in the Scheme</u>	
	<u>2013/14</u>	
	Approximate % increase to Employer Liability	Approximate monetary amount
		£'000
Longevity (increase in 1 year)	3%	20,531
Real Discount Rate (0.5% decrease)	9%	62,235
Pension Rate (0.5% increase)	7%	48,159
Salary Rate (0.5% increase)	2%	13,766

43. Contingent Liabilities

At 31 March 2014, the Council was aware of one on-going issue which may result in possible future liabilities:

Municipal Mutual Insurance (MMI) Limited - Under the MMI Scheme of Arrangement, the administrator, in certain circumstances, could claw-back from Local Authorities a proportion of any previously settled claims. This arrangement was triggered in the 2012/13 financial year with a Levy rate of 15% of the value of total previous claims payments and the Council paid £348k to MMI in 2013/14 from an existing provision. 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 paid.

44. Contingent Assets

At 31 March 2014, 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 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. During 2013/14, the credit rating of NatWest was downgraded to below the minimum credit rating criteria of A- (or equivalent) long term. Following advice from the Councils external treasury advisors, Arlingclose Ltd, it is the Councils intention that 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 2014 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>31/03/2014</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	19,965	0.0%	0.00%	0	0
Customers	14,208	0.7%	1.00%	142	142
Total					

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 £14,208k customer balances is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<u>2012/13 £'000</u>	<u>2013/14 £'000</u>
Less than 3 months	10,107	9,795
Three months to one year	1,906	1,815
More than a year	2,152	2,598
Total	14,165	14,208

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:

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Less than one year	7,557	16,373
Between one and two years	16,373	9,446
Between two and five years	16,058	6,612
Between five and ten years	46,569	74,767
Between ten and 25 years	153,074	124,877
More than 25 years	75,916	75,916
Total	315,547	307,991

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:

	<u>2013/14</u> <u>£'000</u>
Increase in interest payable on variable rate borrowing	774
Increase in interest receivable on variable rate investments *	(141)
Impact on Surplus or Deficit on the Provision of Services	633
Share of overall impact debited to the HRA	309
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)	(31,578)

* 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 2013/14 (actual cumulative unrealised losses for the Lime Fund, currently stand at 31/03/2014 at £148k).

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>2013/14</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.	(2)	162	503	(375)
Total	(2)	162	543	(375)

<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> 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	(592)	351	663	(284)
Total	(592)	351	703	(284)

HOUSING REVENUE ACCOUNT (HRA) - INCOME AND EXPENDITURE STATEMENT

<u>2012/13</u> <u>£'000</u>	<u>Note</u>	<u>2013/14</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Expenditure			
5,164		5,090	
5,213		5,250	
4,162		4,282	
5,744	7	(13,145)	
106		113	
113		148	
<u>20,502</u>			<u>1,738</u>
Income			
(24,107)		(25,287)	
(492)		(843)	
(824)		(866)	
(769)		(722)	
<u>(26,192)</u>			<u>(27,718)</u>
(5,690)			(25,980)
Net Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement			
103			105
<u>HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to specific Services</u>			
0			0
<u>103</u>			<u>105</u>
(5,587)			(25,877)
Net Expenditure of HRA Services			
<u>HRA share of Operating Income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement</u>			
278			(669)
(100)			(90)
558	9		621
<u>736</u>			<u>(138)</u>
(4,851)			(26,015)
(Surplus) / Deficit for the Year on HRA services			

MOVEMENT ON THE HRA STATEMENT

<u>2012/13</u> <u>£'000</u>	<u>Note</u>	<u>2013/14</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
3,905			2,000
4,851		26,015	
5,744		(13,145)	
278		(669)	
396		532	
0	4	(828)	
11,269			11,905
(3,237)	3	(3,332)	
(8,653)		(3,463)	
(1,284)		(5,110)	
(13,174)			(11,905)
(1,905)			0
2,000			2,000

HRA 1. Housing Stock

<u>Property Type</u>	<u>Stock at 01/04/2013</u>	<u>Additions</u>	<u>Sales</u>	<u>Deleted / Demolished</u>	<u>Stock at 31/03/2014</u>
Low rise flats	1,301	0	(3)	0	1,298
Medium rise flats	505	0	(1)	0	504
High rise flats	0	0	0	0	0
Houses & Bungalows	3,381	1	(26)	0	3,356
Total	5,187	1	(30)	0	5,158

HRA 2. Balance Sheet Values of HRA Assets

<u>Operational Assets</u>	<u>Value at 01/04/2013</u>	<u>Value at 31/03/2014</u>
	<u>£'000</u>	<u>£'000</u>
Council dwellings	303,870	324,650
Other land & buildings- HRA	4,229	4,370
Total	308,099	329,020

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 2013 value was £779m (2012/13 £590m)

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>2012/13</u>	<u>2013/14</u>
	<u>£'000</u>	<u>£'000</u>
Balance at 1 st April	(200)	(3,437)
Total Depreciation on all HRA assets	(3,237)	(3,332)
Expenditure in year	0	6,569
Balance at 31 March	(3,437)	(200)

HRA 4. Capital Expenditure and Financing

The Council spent £7.6m on HRA capital projects in 2013/14 (2012/13 £6.7m) This spending was financed from the following sources:

<u>Source of Finance</u>	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Major repairs allowance	0	6,569
Capital Expenditure funded from revenue	0	828
Capital Receipts	298	200
Supported Borrowing	6,352	0
Total	6,650	7,597

HRA 5. Capital Receipts

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

<u>Asset Type</u>	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Sale of Council houses	1,316	2,296
Right to buy discount repaid	0	31
Principal repayments on mortgage	6	11
Sale of land	0	0
Total	1,322	2,338

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):

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
HRA investment income	(49)	(4)
Interest on cash balances & mortgages	(51)	(86)
Total	(100)	(90)

HRA 7. Depreciation and Impairment

Depreciation and impairment is only charged to the HRA in respect of operational assets. The charges for 2013/14 were as follows:

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
<u>HRA assets- depreciation:</u>		
Council dwellings	3,158	3,252
Other land & buildings- HRA	79	80

<u>HRA assets – (revaluation)/ impairment:</u>		
Council dwellings	2,529	(16,477)
Other land & buildings- HRA	(21)	0
Total	5,745	(13,145)

HRA 8. Rent Arrears

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Current tenant arrears	544	547
Former tenant arrears	296	340
Gross Rent Arrears	840	887
Bad debt provision	(380)	(464)
Total	460	423

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>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Current service costs & unfunded (within expenditure)	505	625
Past service costs	0	0
Net interest costs	558	621
Net change to Income and expenditure account	1,063	1,246
Statement of movement in the HRA balance:		
Reversal of net charges made for retirement benefits	(396)	(534)
Employers contribution payable to the scheme (within expenditure)	667	712

THE COLLECTION FUND STATEMENT							
	Council Tax		NNDR		Total		
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	
<u>Income</u>							
Council Tax Receivable	(144,253)	(151,075)			(144,253)	(151,075)	
Council Tax Support	(16,542)				(16,542)		
NNDR Collectable			(73,169)	(76,494)	(73,169)	(76,494)	
NNDR Transitional Protection Payments							
	(160,795)	(151,075)	(73,169)	(76,494)	(233,964)	(227,569)	
Precepts and Demands:							
Parishes	9,300	9,464			9,300	9,464	
CBC	128,343	118,363			128,343	118,363	
Bedfordshire Police	14,670	13,887			14,670	13,887	
Beds Fire	8,197	7,759			8,197	7,759	
	160,510	149,473			160,510	149,473	
Shares of NNDR Payable:							
Beds Fire				764		764	
CBC				37,429		37,429	
Central Government			72,852	38,193	72,852	38,193	
			72,852	76,386	72,852	76,386	
NNDR Cost of Collection			317	315	317	315	
Impairment of debts/appeals							
Write-offs	379	355			379	355	
Increase/(reduction) in Bad and Doubtful Debts Provision	87	622			87	622	
Impairment of debt/appeals for non-domestic rates:							
Write-offs				707		707	
Increase/(reduction) in Bad and Doubtful Debts Provision				1,482		1,482	
Cont's towards previous year's Deficit - Council Tax	(735)	(1,150)			(735)	(1,150)	
Movement on Fund Balance (deficit)	554	1,775		(2,396)	554	(621)	
Surplus / (deficit) Balance Bought Forward	(1,866)	(1,312)			(1,866)	(1,312)	
Surplus / (deficit) Balance Carried Forward	(1,312)	463		(2,396)	(1,312)	(1,933)	

CF 1. Introduction

The Collection Fund is required by statute to show the transactions of the billing Council in relation to Council Tax and Non-Domestic Rates (NDR). The Collection Fund shows how the transactions have been distributed to the Council and its major preceptors Central Government, 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.

A new Non-Domestic Rates (NDR) retention scheme was introduced from 1 April 2013 which enabled Local Authorities to retain a share of NDR collected locally. Further details of the changes are provided within the explanatory foreword on page 10.

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 2013/14 the tax base was calculated as follows:

<u>Tax Band</u>	<u>Property by Band</u>	<u>Weighting Factor</u>	<u>Band D Equivalent 2013/14</u>	<u>Band D Equivalent 2012/13</u>
A	9,434	6/9	6,289	6,303
B	22,501	7/9	17,501	17,356
C	31,574	8/9	28,066	27,788
D	20,623	9/9	20,623	20,279
E	14,310	11/9	17,490	17,268
F	7,599	13/9	10,976	10,810
G	4,475	15/9	7,458	7,383
H	335	18/9	670	666
			109,074	107,853
Less: other adjustments (discounts / appeals etc)			(18,153)	(9,883)
			90,920	97,970
Less: adjustment for collection rate (0.5%)			(452)	(490)
Tax Base			90,468	97,480

The amount of Council Tax required by Central Bedfordshire (including Town and Parish Councils but excluding Bedfordshire Police and Fire) 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: 2013/14: £127,826,761/90,468 = £1,412.95p (2012-13: £128,342,891/97,481 = £1,316.59p).

CF 3. NNDR

The total non-domestic rateable value at 31 March 2014 was £196,723,462 as per the Valuation Office's schedule dated 30 March 2014 (£197,073,061 in 2012/13).

The 2013/14 NNDR standard multiplier set for the year by the Government (via DCLG) was 47.1p (45.8p in 2012/13) and 46.2p for small businesses (45.0p in 2012/13).

CF 4. Allocation of the Collection Fund

The Council has to reflect balances held in respect of its own share of Council Tax and Non Domestic Rates 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 NDR due for the year, net of any provision for bad debts.

For 2013/14, the balances calculated for Council Tax on this basis are as follows

	<u>2012/13</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Balance 1 April	(1,866)	(1,312)
Allocated in year:		
Central Bedfordshire Council	628	986
Bedfordshire Police Authority	68	105
Bedfordshire & Luton Combined Fire Authority	39	59
Total Distributed	735	1,150
Balance 31 March	(1,312)	463
<u>Allocated Between:</u>		
Bedfordshire Police Authority	(120)	43
Bedfordshire & Luton Combined Fire Authority	(67)	24
Total	(187)	67
Central Bedfordshire Council	(1,125)	396
Balance 31 March	(1,312)	463

For 2013/14, the balances calculated for Non Domestic Rates are as follows

	<u>2013/14</u> <u>£'000</u>
Balance 31 March	(2,396)
<u>Allocated Between:</u>	
Central Government	(1,198)
Bedfordshire & Luton Combined Fire Authority	(24)
Total	(1,222)
Central Bedfordshire Council	(1,174)
Balance 31 March	(2,396)

As 2013/14 was the first year of the NDR retention scheme, whereby Councils retain a share of business rates locally and account for this via the collection fund, there are no 2012/13 comparators.

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

Opinion on the Authority's financial statements

We have audited the financial statements of Central Bedfordshire Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, the Balance Sheet, Cash Flow Statement, Housing Revenue Account (HRA) Income and Expenditure Statement, the Movement on the HRA Statement and Collection Fund Statement; and the related Notes to the Statement of Accounts 1 to 46, the related notes to the Housing Revenue Account HRA 1 to 9 and the related notes to the Collection Fund CF 1 to 4. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Members of Central Bedfordshire Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the "Annual Statement of Accounts Central Bedfordshire 2013/14" to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Central Bedfordshire Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the “Annual Statement of Accounts Central Bedfordshire 2013/14” for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s

arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Central Bedfordshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

Mick West
Director
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton

September 2014

CENTRAL BEDFORDSHIRE COUNCIL
ANNUAL GOVERNANCE STATEMENT 2013/14

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.

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 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 2014 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 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) regularly reviews reports on the performance of the Council. Each month CMT considers "Making it Happen" (MIH), People, and Place scorecards comprising the key directorate and corporate health performance indicators. In addition on a quarterly basis CMT receive a MTP progress report. This report is presented to the Executive with any specific issues addressed through Overview & Scrutiny. At an operational level, performance data is populated on the Council's performance system (Inphase) by relevant Directorates. Each Director has responsibility for ensuring that relevant data and commentaries are published on the system. Directorate Management Teams also consider on a regular basis the key performance data of their Directorate, with associated commentary provided by Assistant Directors and/or Heads of Service as appropriate.

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 Head of Paid Service, Monitoring Officer and Chief Finance Officer meet on a regular basis as statutory officers to consider and address any corporate issues or matters of probity that may benefit from their collective input and approach.

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.

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 for principal Authorities and respective Town and Parish Councils.

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. This system is periodically reviewed to develop best practice. 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 under 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 Chief Legal & Democratic Services Officer is appointed as the Council's Monitoring Officer. Governance arrangements for the Monitoring Officer are set out in statute and in the Constitution. The Monitoring Officer has access to the agenda, reports and minutes of CMT and attends CMT meetings from time to time as appropriate.

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 references 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, and is available as an interactive version on the Intranet. A two page pictorial summary of the rules is also made available.

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. The team continues to maintain this accreditation. 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.

Following an independent review of the Council's Legal Services in October 2012 the in-house team has been re-structured to provide increased range of areas of expertise and capacity. The Council also now has access to the EM LawShare Consortium for competitive rates for engaging external legal support as appropriate. All such support is required to be commissioned through the in-house legal 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.

The Monitoring Officer, or as appropriate, 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

The 360 degree feedback exercise has been repeated for the Senior Management Group (SMG) and extended to also include approximately 120 4th tier managers. Feedback is measured against a set of Leadership Qualities that have been developed by SMG. The results of the 360 feedback are then embedded into the annual performance development review and help identify individual development areas.

SMG completed a Leadership Development Programme during the year and the evaluation of this programme and the results of the 360 feedback exercise have been used to develop a Leadership Development Management Programme for 4th tier managers which will commence in July 2014. Other management training includes ILM3 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 is committed to deliver planned, sustained and two way communications with the public, staff and other stakeholders.

Specifically, the council aims to:

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

Core channels for public communication include our community magazine, News Central, which is delivered to all households on a quarterly basis in line with Communities and Local Government guidance on Local Government Publicity. 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 a critical communication channel which is available in both a conventional format and in a bespoke format for mobile devices. On line presence provides news and information to residents and other stakeholders. Customers are also able to log on to our portal to report issues such as potholes and apply for some of our services. Alternatively they can use our mobile app to make reports.

Additional digital channels include email bulletins on a wide range of services, updates on Twitter and bespoke Facebook pages. In total, approximately 35,000 residents subscribe to these channels.

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 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 (the Chief Executive has twice yearly staff roadshows to update staff on corporate direction and priorities), weekly electronic bulletins, blogs and updated news on the intranet. Corporate communications are complemented by specific channels for service Directorates. Stakeholder communications channels, many of which relate to the activities of the Local Strategic Partnership, include 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.

In addition to programmed communication activities, the council regularly sends emails and briefings to update both Staff and Members on important topics.

2.12 Equality and Diversity

Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations. The Council wants to ensure that it provides services which address the needs of all members of the community and employs a workforce that at all levels is representative of the community it serves and which experiences fairness and equity of treatment.

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

- Consider issues relating to age, disability, sex, pregnancy and maternity, gender reassignment, marriage and civil partnerships, race, religion and belief and sexual orientation.

- Obtain a clearer understanding of how different groups may be affected.
- Identify changes which may need to be built into an initiative as it is developed.
- Comply with legislative requirements.
- Identify good practice.

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

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

The Equality Forum meets four times a year and quality assures all the significant Council Strategies and Policies and the accompanying equality impact assessments. The Forum has reviewed a number of key initiatives spanning all parts of the Council including that of the budget setting process.

2.13 Partnership governance

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

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

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

The Partnerships Protocol was developed in line with the Audit Commission's report on partnership governance.

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 review these on an annual basis to ensure they are fit for purpose and aligned to the Partnership's future work programme.

The Health and Wellbeing Board was established in shadow form in 2012, and Terms of Reference for the substantive Board were subsequently approved and appointments made to this new statutory committee at the Council's Annual Meeting in April 2013. The Council assumed responsibility for certain public health functions under the Health and Social Care Act 2012. This involved a complex transfer of functions from various NHS bodies to the Council, which was undertaken successfully, including incorporation of appropriate budgets into the Council Budget approved in February 2013.

Going forward the Health and Wellbeing Board has the strategic overview of the Better Care Fund Plan. This Plan sets out a shared vision for the delivery of integrated and locality based health and social care provision in Central Bedfordshire. A Joint Commissioning Board for the Better Care Fund, made up of relevant multi agency senior officers, will report directly to the Health and Wellbeing Board, ensuring that the pooled budgets are targeted at delivering the outcomes set out in the Plan.

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.

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 Public Sector Internal Audit Standards (PSIAS) during 2013/14.

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 of performance indicators and targets that are regularly reviewed.

The Council's information governance performance is reported and monitored on a quarterly basis by the Information Assurance Group (IAG) and reviewed by CMT as appropriate. IAG seeks to promote effective information governance and compliance across the Council and is developing information sharing protocols with Partner Organisations.

The IAG is chaired by the Senior Information Risk Owner (SIRO) to the Council.

4.0 ANNUAL AUDIT REPORT FOR 2013/14

The Council's Head of Internal Audit submitted her opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 30 June 2014. The Internal Audit work programme included reviews of the fundamental financial systems and other assurance work on other non fundamental systems.

The Head of Internal Audit reported that her opinion was that overall the Council's system of internal control, governance framework and risk management arrangements were 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.

Each of the fundamental system reviews finalised has received an adequate audit opinion. The Payroll system has received an adequate opinion for the first time since the inception of the Council, having previously received limited opinions. The audit testing identified that improvements had been made in a number of areas, including the documentation of procedures, documentation to support payroll amendments and other control processes.

A limited audit opinion was given to the review of Council procedures relevant to the employment of contractors and consultants, and Internal Audit has worked with officers across the Council to address the issues identified.

The audit reviews of both direct payments and housing repairs commissioning also identified weaknesses in the current processes and management have agreed actions to address these issues.

Internal Audit has continued to track the implementation of high risk recommendations. This work has identified that progress continues to be made to develop a comprehensive IT Disaster Recovery Plan. Further work is currently in progress. The Audit Committee has received regular 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 2013/14:

- Considered decision to cease the BEaR waste disposal procurement and successfully manage any risks of potential challenge. Effectively determine and deliver on an alternative waste disposal procurement strategy.

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

- The welfare reforms introduced by Central Government.

There were significant changes to various welfare payments introduced from 1 April 2013. The most significant is replacement of Council Tax Benefit 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 and 2014/15.

- Information Management: a lack of consistent information management and data accuracy across the organisation leading to non compliance with the Data Protection Act and a breach of information security.
- Growth: a risk that failure to adopt a 'sound' Development Strategy and subsequently deliver the levels of housing, jobs or infrastructure proposed for growth and regeneration of the area in a planned way.
- Failure of partnerships as a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.

6.0 CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2013/14 and has been approved by the Council's Audit Committee.

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



J JAMIESON
LEADER OF THE COUNCIL



R CARR
CHIEF EXECUTIVE

Dated

4/9/14

2/9/14

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

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.

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

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 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.

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.

Non Domestic Rates (NDR) A 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 who retains an initial 49% of the income, with 1% paid to Bedfordshire Fire and 50% to Central Government. .

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.

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.

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:

For the attention of:

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by telephone: 0300 300 6147 or 6154 (c/o Nisar Visram, Financial Controller)

by email: nisar.visram@centralbedfordshire.gov.uk
maria.fuller@centralbedfordshire.gov.uk

For general enquiries of the Council please contact:

Phone: 0300 300 8000

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