



# Central Bedfordshire Council

Statement of Accounts for the year  
2016/17

# CENTRAL BEDFORDSHIRE COUNCIL

## STATEMENT OF ACCOUNTS 2016/17

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# Narrative Report

## Introduction

Central Bedfordshire is a unitary authority serving a growing population of around 274,000 residents, the 15<sup>th</sup> largest unitary council population in England. 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 these are Leighton Buzzard, Dunstable, Houghton Regis, Biggleswade, Flitwick and Sandy.

The area is generally prosperous, with above average levels of employment. However, there are pockets of deprivation and greater need in some areas.

The area has excellent transport links with the A1 and M1 running through it, three main rail lines and two international airports, Luton and Stansted, on our doorstep.



It is a relatively safe, green and affluent area which has attracted major investment. People living in Central Bedfordshire earn more than the national average; this is in part influenced by some residents commuting out of the area – primarily to Hertfordshire, Luton, London and Milton Keynes.

According to the Better Family Life Index from uSwitch.com, Central Bedfordshire has been ranked the third best place in the UK to live for families (11th in 2015). The annual study by the independent price comparison and switching service looks at different aspects which are important to family life and then ranks 138 local authorities across the UK accordingly.

This year's study using consumer research and government data focused on 33 areas, ranging from health, housing, crime and education to the amount of sleep people get and the average daily hours of sunshine.

## Our Services

The following core services are provided by the Council:

- **Adult Social Care** involves the provision of social work, personal care, protection or social support services to adults in need or at risk, or adults with needs arising from illness, disability, old age or poverty.
- **Children's** services provide care and protection where needed to help children and young people fulfil their potential. The Council supports schools

and children's centres, helping disabled children and their families and providing fostering and adoption services.

- **Planning, regeneration and business** services help to support business growth, develop skills, drive employment and reinvigorate towns to attract investment and jobs as well as meeting housing need.
- **Waste and recycling** services organise alternate weekly bin collections for 113,000 households as well as running four tidy tips.
- **Highways** services keep roads and pavements in good shape by fixing problems quickly and efficiently as well as providing walking and cycling routes and promoting road safety.
- **Housing (Housing Revenue Account)** the Council owns and manages over 5,000 properties.
- **Community protection** services make sure that Central Bedfordshire is a fair and safe place to live by tackling anti-social behaviour, supporting businesses to trade fairly and safely, and look after the environment.
- **Leisure, libraries and countryside** services provide opportunities to get fit, meet others, learn, access arts and culture and enjoy the great outdoors.
- **Other** services support the democratic process and keep the Council running effectively and efficiently making sure customers can access the services they need. For example, customer contact teams are the first port of call for residents' queries including payment of housing benefit and council tax support; financial services oversee spending and payments and legal services support work to protect children and the public. Registrars officiate at marriages, civil partnerships and celebratory services and certify births and deaths. The Council also administers local and national elections and maintains the electoral register.

These services are either provided directly by the Council or are commissioned from and delivered by other organisations. Most of these services are mandatory, meaning that the Council must provide them because it is under a statutory duty to do so. There has been no major change in statutory functions during 2016/17.

- Planned future developments in service delivery include
  - Customer Pathways – reviewing and improving the ways in which customers interact with the Council
  - Shared services – working more effectively with partners to deliver improved outcomes for the public and business, and
  - Waste – increasing recycling by using targeted leaflets, bin tags, vehicle branding and electronic media to encourage residents to recycle more and recycle the correct things thereby reducing the cost of disposal.
  - Digitisation – to digitise all of the Council's services to enhance accessibility for the Council's residents, businesses and service users.

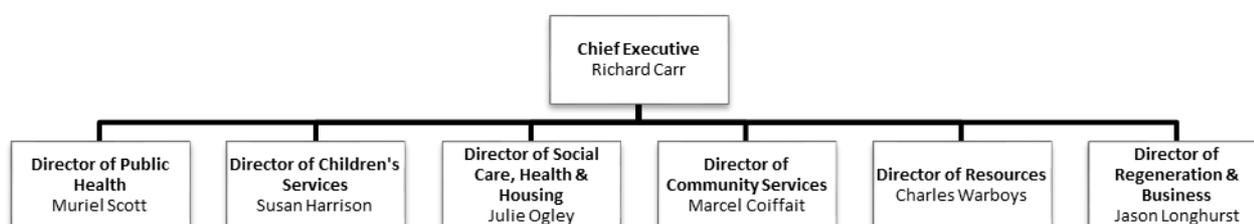
## Council Structure

### Political Structure

There are 59 elected Councillors and at 31 March 2017 the Conservative group held 53 seats. The largest opposition group comprised three Independent Councillors and the Labour and Liberal Democrat parties held two and one seats respectively.

### Management Structure

Delivering a diverse range of services relies on a well structured management team. The Council's directorates are shaped around the services provided.



Following the departure of the former Director of Improvement & Corporate Services at the end of June 2016 a decision was taken to move to a new operating model, where the leadership of the core services on which the whole organisation depends would be distributed across the Corporate Management Team. As a result the Chief Finance Officer was appointed to the role of Director of Resources and other Directors took on various corporate functions. The 2015/16 Comprehensive Income & Expenditure Statement has been restated to reflect the new structure and enable comparability between the financial year ended 31 March 2017 and the previous year.

This change has also reduced Senior Officer remuneration costs by £53k to £1.266M (£1.319M in 2015/16). The full year impact, which will be seen in 2017/18, will equate to a higher reduction. Further detail on this can be seen in Note 31 to the Statement of Accounts.

### Employees

The Council employs approximately 4,000 staff and also employs some temporary / agency staff to deliver the various services, however the dependency on temporary resources is reducing with total spend in 2016/17 down by £2.673M (£10.077M compared with £12.750M in 2015/16).

A staff survey is conducted on a biennial basis, which provides an insight into what it is like to work at the Council, across a range of services, and allows officers to work together to affect positive change. The results from the Autumn 2016 survey identified that Council staff feel valued and would recommend Central Bedfordshire Council as a place to work.

The Council invests in staff and constantly looks to improve the working environment. A wellbeing programme is promoted including activities such as the workplace challenge, a national programme aimed at engaging workplaces in sport and physical activity and gardening.

In 2016/17 a vacancy management programme was implemented which has emphasised opportunities for internal applications and has increased the flexibility for staff to work in different areas.

A Working Smarter programme is being implemented which is aimed at continuing to modernise the way the Council works, operating with less paper, leaner processes and using fewer offices by enabling staff to work in any locations, including home working. To do this technology is being applied more effectively and office space is being adapted to enable more flexible working.

Looking ahead there are a number of projects in place for 2017/18 that are also aimed at further improving working practices. As well as continuing to roll out the Working Smarter programme a new HR system (Success Factors) will be implemented to better integrate corporate systems and facilitate more efficient and effective recruitment.

The Council is also focusing further on the use of technology. Digitisation 2017 is an ambitious programme to transform the organisation so that the Council is in the best possible position to deliver the objectives for customers and communities. Technology will be essential to successful delivery of the Council's ambitions, not only in making 100 per cent of services accessible online but also in other areas, such as the Working Smarter programme and improving data management.

## **The Council's Five Year Plan 2015–2020**

The Council has adopted a Five Year Plan for the period 2015–2020 to deliver a vision of making Central Bedfordshire a great place to live and work. The Council intends to respond to changes in demography and technology whilst accommodating ongoing regulatory change and central government public expenditure plans. Improving the health and happiness of residents are key aims of the plan.

Underpinning this vision are our priorities:

- Enhancing Central Bedfordshire
- Great Resident Services
- Improving Education and Skills
- Protecting the Vulnerable; Improving Wellbeing
- Creating Stronger Communities
- A More Efficient and Responsive Council

The Five Year Plan can be accessed on the Council's website

<http://www.centralbedfordshire.gov.uk/council/five-year/plan.aspx>

## **Our Performance**

### Enhancing Central Bedfordshire

We have an ambitious capital programme with a plan to invest up to £284m over the four years from 2016/17 to deliver some key infrastructure projects including roads, school buildings, leisure facilities and much more.

The Woodside Link road scheme, which connects Houghton Regis and Dunstable industrial estates to the M1 junction 11a, opened to the public on 13 April 2017. The road was built to tackle current heavy traffic and poor air quality in the local towns and villages and to provide vital infrastructure ahead of its plans to bring future business and housing growth to the area.

Nine parks and open spaces across Central Bedfordshire were recognised in this year's Green Flag awards.

There are a number of exciting and ambitious schemes in place and in the pipeline to revitalise the market towns. Town centre vacancy rates are a good way of indicating their success and prosperity, and will be monitored closely so that the Council can be certain the work it is doing is effective. The vacancy rate in Central Bedfordshire town centres currently stands at 4.31%, an improvement on the 5.75% recorded in June 2016.

### Great Resident Services

Performance in key services has continued to improve. A number of the Council's universal services were relatively well regarded from the outset of the Council in 2009 and have enjoyed increasing levels of satisfaction.

Refuse collection, for example, achieved customer satisfaction ratings of 72% in 2011. In 2016, this had increased to 84% which is ahead of the national average. Satisfaction with the library service is also ahead of the national average (71% satisfied compared to an average of 64%).

Satisfaction with leisure has almost doubled during the same period. In 2011, 35% of survey respondents expressed satisfaction and this had increased to 61% in 2016. The Council has invested heavily in a leisure strategy with a new leisure centre for Flitwick which opened in 2016 and is proving very popular with users. The Council is also moving forward with plans for a £20million leisure and cultural hub in the heart of Dunstable.

## Improving Education and Skills

Performance with regard to schools in Central Bedfordshire judged to be 'Good or Outstanding' has improved to 89% (from 85% this time last year, and from 75% in the last four years). Ofsted publish a similar indicator which does not include sponsored academies yet to be inspected.

The percentage of young people aged 16-18 who are in education or employment or training (EET) in 2015/16 in Central Bedfordshire has improved to 90.4% (from 88.5% in 2014/15), reflecting the effective support and interventions from the Council.

Learning new skills doesn't stop when children leave school, so the Council will support adults to obtain the skills they need to succeed, and will also ensure that it matches the provision of skills with those that are needed by employers.

## Protecting the Vulnerable; Improving Wellbeing

The Council is focusing on helping people live independently for longer, with our flagship Priory View site in Dunstable a huge success with residents since it opened. Subsequently this has won national profile, winning awards and hosting a Royal visit in Spring 2016, when it was opened by HM The Queen and HRH The Duke of Edinburgh.



In total the Council facilitated the provision of 164 independent living units, two new residential care homes and has plans for a further six schemes, the first of which, Houghton Regis Central, has secured planning permission with construction envisaged imminently.

Improvement has also been evident in our services for vulnerable adults and children. Initially the Council saw a rapid rise in the number of looked after children and children on child protection plans, but has now stabilised the situation.

Much emphasis is placed on developing the Council's workforce, meaning that we've reduced the proportion of agency staff by 25%. In-house foster care placements have been increased by 19% and, through a positive emphasis on early intervention, the number of children on protection plans has reduced by 44% compared to an increase in the national trend.

## Creating Stronger Communities

The Council will do all it can to strengthen community spirit in Central Bedfordshire's towns and villages, nurturing a sense of place and belonging to build resilience and reduce social isolation.

## A More Efficient and Responsive Council

The Council will be focused on cost effectiveness and efficiency in all that it does. Customers, the residents and businesses of Central Bedfordshire, will help to determine whether it is successful in this ambition. The Council will listen to their opinions, views and preferences in shaping its plans.

The latest market research (September 2016) suggests that customer satisfaction has doubled since the Council was created with 70% (68% national average) of residents suggesting they are satisfied with the way the Council runs things, compared to 35% in 2009. Satisfaction with value for money has also more than doubled (now 58%) and 49% of residents are positive advocates now, compared to just 11% in the 2009 baseline research.

The Council has achieved a sustainable financial position, having delivered savings of £104m since 2009 and has a robust plan to maintain financial stability in the years to come.

The Council intends to continue to work to ensure that provision of the best possible services and opportunities for residents of all ages. The Council will also continue to work hand-in-hand with big businesses that are now seeing Central Bedfordshire as the perfect place to set up shop, bringing money and jobs to the area.

In pursuit of achieving financial sustainability, addressing health inequalities and improving health outcomes, the Sustainability and Transformation Plan has five priority areas of action. The three public facing areas are focusing on prevention, integration of primary and social care and the future of hospital provision. This is already a contentious area of potential change but one that must be addressed given the particular financial pressures on the health system in this area.

## **Draft Outcome of Corporate Peer Challenge**

In May 2017 the Council took part in the Local Government Association's Corporate Peer Challenge. This is a proven tool for improvement. It is a process commissioned by a Council and involves a small team of local government officers and Councillors spending time at the council as peers to provide challenge and share learning.

Following the review the Council was described in the draft report as: *"An impressive Council, which has established a sound foundation and is delivering some exemplary work."*

Having spent time interviewing staff and Councillors, as well as analysing a wide range of policies and plans the reviewers acknowledged the track record in improving customer satisfaction, staff engagement and financial management. The review also acknowledged “exemplary” partnership working, innovations in training and development such as the Social Work Academy and the high quality of the Council workforce.

The Council was challenged to be more joined up in the approach to affecting change, specifically urging the importance of connecting the transformation agendas across the Councils’ services. The finalised peer review feedback will be used to consider future developments across the Council.

### **Medium Term Financial Plan 2017–2021**

The Council’s Medium Term Financial Plan (MTFP) underpins the Five Year Plan, by allocating resources to deliver Council services and strategic outcomes, whilst identifying adjustments to achieve a sustainable financial position over the next four years. The MTFP 2017–2021 was updated and approved by Council on 23 February 2017 against a background of the significant challenges of reductions in public sector funding and ongoing reforms to local government, at a time of subdued economic growth.

Following a change in Central Government policy to the way in which Local Authorities are funded, 2016/17 was the first time for a number of years that the Council increased Council Tax.

Prior to 2016/17, the Council had generated savings of more than £104M in order to avoid the necessity of increases in Council Tax whilst protecting front line services. This was achieved by adopting a whole Council approach to robust budget management, delivering more efficient ways of working and ensuring that the Directorate and Service priorities were clearly identified and resourced.

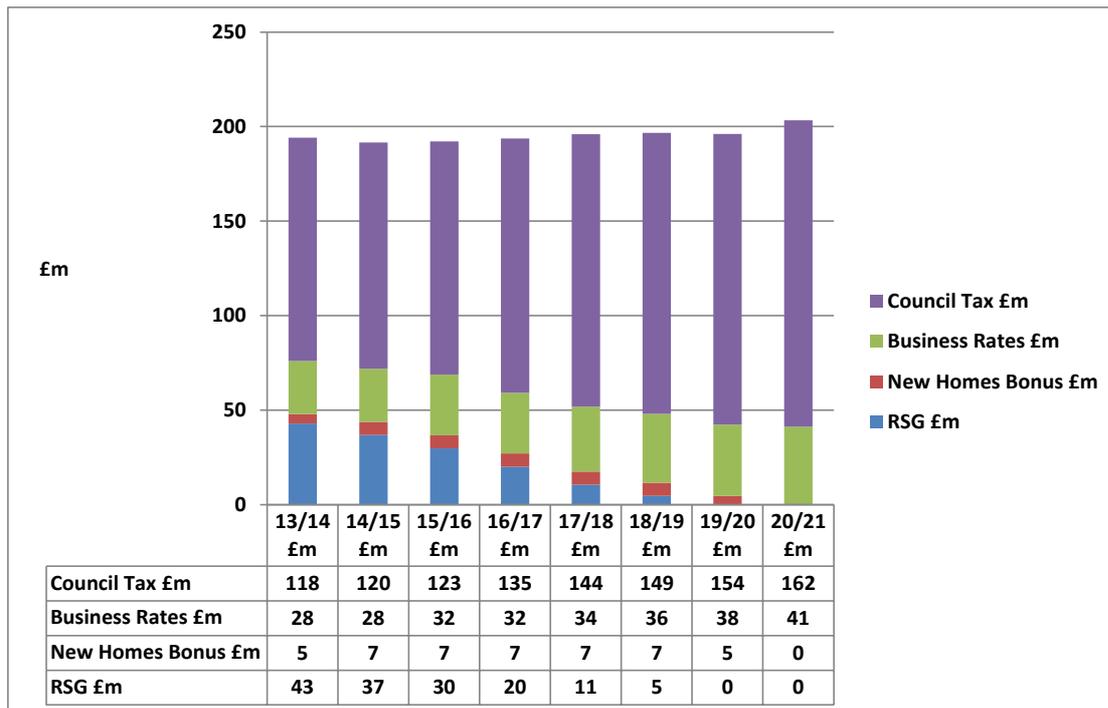
The MTFP for 2017–21 identified £15.2M of efficiencies as required to produce a balanced budget for 2017/18 in the light of the ongoing reduction in funding from Government and emerging cost pressures. A further £31.2M of efficiencies had been estimated as required over the three years from April 2018 in order to achieve the proposed MTFP.

The Council’s funding from Government over the MTFP period comprises three elements:

- Revenue Support Grant (RSG) – two years only.
- Business Rates Retention Scheme and
- Grants, including Ring Fenced Grants & New Homes Bonus

Local Government funding sources are forecast to change significantly over the Medium Term Financial Plan period 2017/18 to 2020/21.

The chart below shows how funding sources are forecast to change over the MTFP period, with 2013/14 to 2016/17 as comparators.



The Council maintains a level of general reserves to allow it to withstand any unanticipated financial impacts of future developments at a local and national level. As at 31 March 2017 the General Fund balance stood at £15.6M (£15.5M as at 31 March 2016). Strategic and operational risks facing the Council are identified, reviewed and managed on a continuous basis in line with the Council's Risk Management Strategy.

## Financial Overview

### Financial Performance – Revenue Budget

The net revenue budget for 2016/17 was set by the Council at £189.2M (£186.5M in 2015/16). This excludes the budget allocated to schools and also the Council's self financing Housing Revenue Account (Landlord business). The latter is reported under separate cover and schools are not included as the grant received from the Government is passed directly through to schools.

The 31 March 2017 net revenue outturn reported to the Executive Committee meeting of 20 June 2017, after movements in earmarked reserves, was £0.052M below budget (£0.051M below budget 2015/16). The outturn position reported to the Executive Committee is reconciled to the accounting statements via the Expenditure and Funding Analysis (EFA) and summarised by Directorate in the table below.

<b>Provisional Outturn March 2017</b>			
<b>Directorate</b>	<b>Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
SCHH	69.3	69.8	0.5
Childrens Services	36.6	36.1	(0.6)
Community Services	46.7	46.5	(0.2)
Regeneration	5.9	5.7	(0.2)
Public Health	0.0	0.0	0.0
Chief Executive's	7.5	8.0	0.6
Resources	11.7	10.9	(0.8)
Corporate Costs	11.5	12.1	0.7
<b>Total Excl Landlord Business</b>	<b>189.2</b>	<b>189.1</b>	<b>(0.1)</b>
Schools	0.0	0.0	0.0
Landlord Business	0.0	0.0	(0.0)
<b>Total</b>	<b>189.2</b>	<b>189.1</b>	<b>(0.1)</b>

## Financial Performance – Capital Programme

The Council's Capital programme sets out expenditure plans for acquiring, constructing and improving buildings, roads and equipment that are used in delivering services. The Council derives benefit from such capital expenditure over many years. Capital expenditure on capital assets amounted to £84.9M in the year ended 31 March 2017 (£84.2M in 2015/16).

The Capital programme also includes £28.3M (£27.5M in 2015/16) of grants and other expenditure on projects that are capital in nature but do not create an asset to be recognised on the Council's Balance Sheet. The Council has authority under statute to finance such revenue expenditure from capital resources.

In 2016/17 the total Council capital programme expenditure was £108.5M (£109.4M in 2015/16), which was £39.7M (£50.7M in 2015/16) less than the budget. The majority of the programme variance (£41.6M) related to various scheme delays where expenditure will be incurred in 2017/18 and future years (£46.1M in 2015/16). Additional expenditure of £3.1M was funded by contributions made by developers under section 106 of the Town and Country Planning Act (£2.3M in 2015/16). The Council did not spend the full budget allocation in 2016/17 mainly due to delays in a small number of large schemes arising from extended tendering and procurement

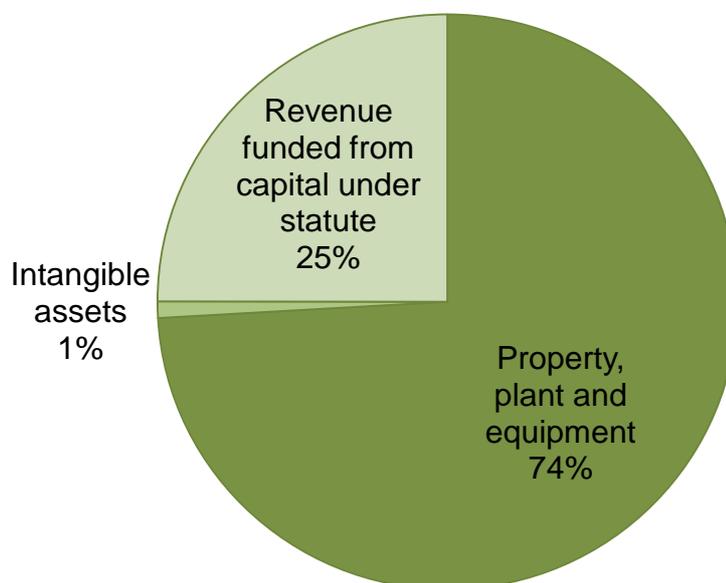
activity, delays in third parties approving grant applications and extended consultation activity.

The Council continues to invest in service improvements and during 2016/17 significant projects included expenditure on a new independent living housing development in Houghton Regis, enhancement to waste disposal facilities and redevelopment of a medical centre in Biggleswade. Investment in the Highway network is a key Council priority and a very significant project is the new Woodside Link road which connects the industrial areas of Dunstable and Houghton Regis to the strategic road network.

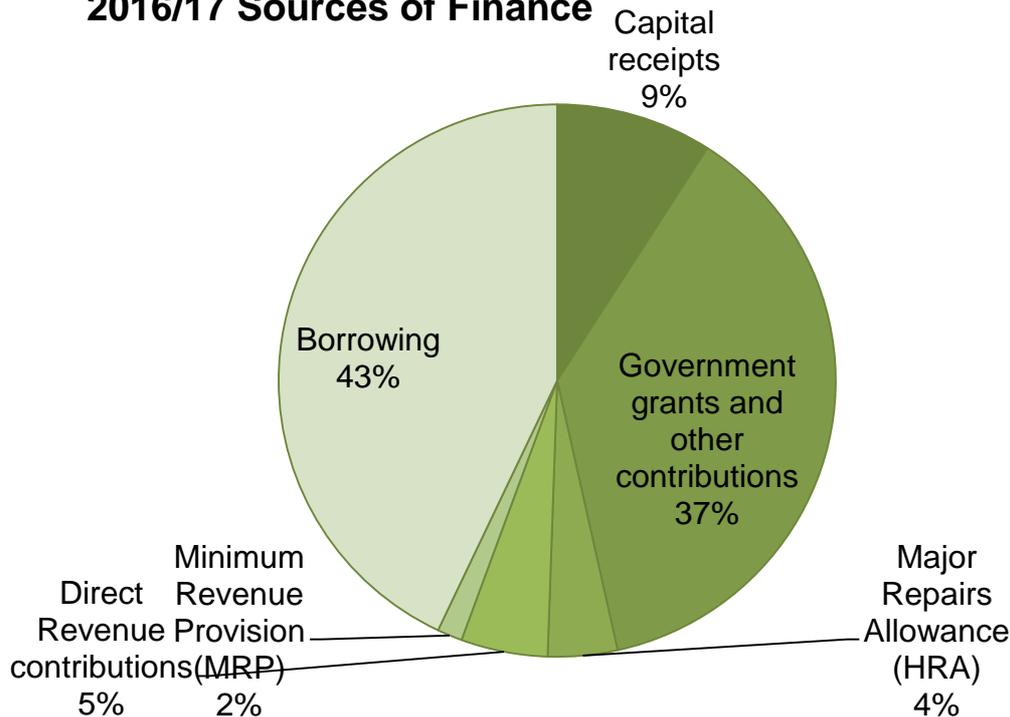
Capital expenditure has been funded by Government capital grant together with contributions from developers and outside agencies, available capital receipts and revenue contributions. Funding from these sources totalled £64.6M (£82.9M in 2015/16); with the balance of £48.6M met from borrowing finance (£28.9M in 2015/16). Capital receipts—£10.3M (£5M in 2015/16), have been the highest achieved since the Council began in 2009. Where Council cash resources are required for funding, internal borrowing has been utilised to the full extent and external borrowing used thereafter.

The following diagrams show our capital investment and sources of finance in 2016/17. Further detail can be found in Note 36 to the Statement of Accounts.

### 2016/17 Capital Investment - £113.2M



## 2016/17 Sources of Finance



### Statement of Accounts

The Council is required by statute to prepare a Statement of Accounts in accordance with proper practices in relation to accounts. 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 (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("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 pattern of presentation of the statement is laid down by the Code, which the Council is legally required to follow.

The Statement of Accounts and the supporting notes explain the Council's finances during the financial year 2016/17 and its financial position at the year end. It follows approved accounting standards and is necessarily technical in parts. Comparative numbers are also provided for the financial year 2015/16.

### Explanation of the Main Statements in the Accounts

#### Comprehensive Income and Expenditure Statement (CIES)

This statement, as set out on page 23, 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 both the EFA and the Movement in Reserves Statement. The 2015/16 CIES has been restated to reflect the new structure and enable comparability between the financial year ended 31 March 2017 and the previous year. There has been no change to the Net Cost of Service as the restructure represented an change in responsibility between directorates and not a change in services provided.

Key items to note:

- Net cost of services has changed by £13.780M largely as a result of the positive valuation of the HRA in 2015/16 impacting on the comparative figures. Individual service line expenditure has remained broadly consistent between years demonstrating that there has not been a significant movement in the net costs of Council's activities. This has had an impact on the overall position on the provision of services resulting in a deficit of £10.892M (surplus of £4.260M in 2015/16).
- Financing and investment income has remained broadly the same between years, as has taxation and non specific grants.
- Other Comprehensive Income and Expenditure has moved considerably between the years (£151.450M) largely as a result of the movement on the value of the defined pension liability (£85.042M in 2016/17 compared with an asset of £74.176M in 2015/16 – a total movement of £159.218M).

### The Movement in Reserves Statement

This Statement, as set out on page 24, 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 Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Key items to note:

- Usable reserves have increased by £17.1M to a total of £102.7M (£85.6M in 2015/16). Of the usable reserves £76M has been set aside in earmarked reserves as it is destined for specific purposes. Note 10, to the Statement of Accounts has further information on these future projects.
- In contrast the unusable reserves have reduced by £26.4M to a total of £385.4M (£411.8M in 2015/16). The main reasons for this reduction are a £96M increase in the Pension Reserve deficit as a result of changes in the assumptions used to value the fund which is offset with a £83M increase in the Revaluation Reserve (£263.8M in 2016/17 compared with £180.6M in 2015/16) and a £12M reduction in the Capital Adjustment Account.

## The Balance Sheet

The Balance Sheet, as set out on page 26, shows the value as at the Balance Sheet date of the Council's assets and liabilities. 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 is not able to 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'.

Key items to note:

- Property, plant and equipment has increased by £117M from £1,193M in 2015/16 to £1,310M in 2016/17. This is largely due to the completion of the Woodside Link road in the year, which then opened to the public in April 2017 (expenditure of £19.6M in year), and £17.1M spent on New School Places to address the growth in pupil numbers.
- Short-term investments and cash have both increased; investments by £0.443M (£0.564M in 2015/16 to £1.007M in 2016/17) and cash by £3.854M (from £0.409M in 2015/16 to £4.263M in 2016/17), the latter having been increased due to cash in transit. This is matched by the circa £10M increase in short-term borrowing (£73.4M in 2016/17 and £63.6M in 2015/16). We have made a concerted effort to make the most of low interest rates on borrowing. Further information on our treasury management and borrowing practice is outlined later in this report.
- There has been a positive movement in the Council's working capital with a reduction in short-term debtors by £10M to £44.7M (£54.7M in 2015/16) and a corresponding increase in short-term creditors of £11.7M to £59.8m (£48.1m in 2015/16). This helps to demonstrate that the Council is collecting money owed faster. This has also helped with our treasury position.
- The nearly £100M increase in long-term liabilities (£750M in 2016/17 compared with £649M in 2015/16) is largely attributable to the increase in the net pension liability. This has increased as a result in changes to the discount rate that is used by the actuaries to value the fund reflecting a decline in Bond yields. Further information on the pension liability is set out later in this report.

## The Cash Flow Statement

The Cash Flow Statement page 27 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.

### Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis is not a core statement and is a new note to the accounts for 2016/17. This statement, as set out on page 50, shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Other information also presented

This document also includes Supplementary Financial Statements:

- the Housing Revenue Account (HRA) Income and Expenditure Statement shows the costs in the year of providing housing services and the Movement on the HRA Statement shows adjustments made to the HRA in line with statutory requirements
- the Collection Fund Statement separately summarises the transactions in relation to Council Tax and Non-Domestic Rates 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.

Other statements published with but not part of the Statement of Accounts include the Annual Governance Statement which explains how the Council has complied with its corporate governance framework and provides information about the different elements of the framework, key issues and the main areas of work that have been progressed during 2016/17 and are being developed in 2017/18. A Glossary of key terms is also provided as an aid to readers of this document.

### **Group accounts**

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council does not have material interests in any such bodies and accordingly is not required to prepare group financial statements.

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

The capital programme expenditure is summarised on pages 10-11 and movements in Property Plant and Equipment are included at Note 14. There were no material assets acquired or liabilities incurred during 2016/17.

## **Material and unusual charges or credits**

### Academy Transfers

There were two schools that transferred to Academy status during 2016/17: Arlesey Nursery School and Childcare Centre was amalgamated with Gothic Mede Academy; and The Lawns Early Excellence and Children's Centre became part of Biggleswade Academy. This resulted in a net transfer of Property, Plant and Equipment non-current assets valued at £1.8M from the Council's Balance Sheet.

### Better Care Fund

The Better Care Fund (BCF) was established by the Government from 1 April 2015 to provide funds to local areas to support the integration of health and social care. Under a framework partnership arrangement between Central Bedfordshire Council (the "host") and NHS Bedfordshire Clinical Commissioning Group, a pooled fund was set up in 2015/16 for this purpose. Both parties jointly commission the services and agree to meet their proportionate share of transactional costs. The risk share agreement is on the basis of a 50:50 split, so any net surplus or deficit is shared on this basis. The arrangement with expenditure of £19.3M (£18.2M in 2015/16) is set out at Note 29.

### Net Pension Liability

The Council's net pension liability has increased by £95.9M (decrease of £60.5M 2015/16), which is a material movement within the 2016/17 Statement of Accounts. The liability changes significantly with the volatility in investment markets for fixed interest securities and also the assumption rates used in the calculations by the actuaries. Further details can be found in Note 41 and is commented on below.

## **The Council's Local Government Pension Scheme liability**

The Council is a member of the Local Government Pension Scheme (LGPS) administered by Bedford Borough Council, which is open to all non-teaching employees of Central Bedfordshire Council. The CIPFA Code of Practice requires the Council to record in the Statement of Accounts, the assets and liabilities of the 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 making 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 (IAS) 19, has increased over the year. At 31 March 2017 the Council's net liability reported by the Actuary to the

LGPS was £416.5M (£320.6M in 2015/16). The fair value of LGPS assets increased over the year to £500.9M (£427.1M in 2015/16) and the value of the obligations to pay pension liabilities increased to £917.4M (£747.7M in 2015/16). The increase in liabilities mainly reflects a reduced discount rate applied to the future estimated pension liabilities.

The net pension liability of £416.5M 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 triennial valuation at 31 March 2016 certified a funding level of 71% for the Bedfordshire LGPS as a whole and 66% for this Council.

Further details of the LGPS can be found in Note 41 Defined Benefit Pension Scheme.

## **Treasury Management and Borrowing**

The Council's treasury management and capital financing strategy is to defer borrowing wherever possible and maintain cash balances sufficient only for operational purposes. The value of the Council's cash and cash equivalents at 31 March 2017 was £4.263M (£0.409M 31 March 2016). The credit risk of banking failures is still present and diversification of investments between creditworthy counterparties is now increasingly important to mitigate investment risk where shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process.

In the wider economy, the Bank of England has continued to maintain low interest rates and despite signs of a recovering economy with jobs growth, the Bank is not expected to raise rates until 2018 at the earliest.

Within the Treasury Management Strategy, the Council approved an authorised borrowing limit for 2016/17 of £567.1M (£533.4M in 2015/16). At the 31 March 2017 the Council had accessed £9.8M (£25.5M at 31 March 2016) of additional short term borrowing from the local authority market to fund expenditure on the Capital Programme, and £6.6M (£9.4M 2015/16) debt from the same source to repay maturing loans from the Public Works Loan Board.

At the end of the financial year, the Council had outstanding external borrowing in place of £347.8M (£338.1M 2015/16) in respect of the funding of the capital programme and social housing.

## **Significant provisions or contingencies and material write-offs**

There were £6.1M of provisions as at 31 March 2017 (£5.7M 2015/16) the most significant being in respect of self insurance arrangements and appeals in respect of business rates values. 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 £2.3M as at 31 March 2017 (£2.3M 2015/16). A further £2.1M (£2.1M 2015/16) reflects the Council's share of the total provision made within the Collection Fund of £4.3M (£4.1M 2015/16) in respect of business rate appeals.

There were no significant General Fund income write-offs in the year.

## **Material events after the reporting date**

The Statement of Accounts were authorised for issue by the Chief Finance Officer (Section 151 Officer) on 29 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

## **Significant changes in accounting policies**

There were no material changes in accounting policies during 2016/17.

In 2016/17, it was anticipated that the CIPFA Accounting Code of Practice would adopt the Highways Network Asset Code in 2017/18 having delayed the implementation from 2016/17. This would result in a change to the measurement basis for the Council's highways related assets. The new Highways Network Asset would have been valued at depreciated replacement cost, replacing the depreciated historic cost value that is currently disclosed. However, at its meeting on 8 March 2017, the CIPFA/LASAAC Local Authority Accounting Code Board decided not to proceed with the introduction of the Highways Network Asset Code.

## **Conclusion**

Through careful planning and management, Central Bedfordshire Council has been able to close its 2016/17 accounts showing a robust position, which will support the Council in meeting the financial challenges of 2017/18 and beyond. Whilst a balanced budget has been set for 2017/18, the projections for future years indicate a gap between the Council's expected funding streams and the Council's expenditure. It is therefore essential that the Council continues with its programme to identify further savings opportunities to ensure future balanced budgets are able to be set.

**Charles Warboys**  
**Director of Resources & Section151 Officer**  
Central Bedfordshire Council  
Priory House  
Monks Walk  
Chicksands  
Bedfordshire  
SG17 5TQ

# **Statement Of Responsibilities For The Statement Of Accounts**

## **The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Chief Finance Officer has this responsibility.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. The Audit Committee, under delegated authority from the Council, fulfils this role.

## **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

In preparing this statement, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

## **Certification and Approval**

The Statement of Accounts presents a true and fair view of the financial position of Central Bedfordshire Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

**Councillor Mike Blair – Chair of Audit Committee**

**Charles Warboys – Director of Resources & Section 151 Officer**

**27 September 2017**

# **Core Financial Statements 2016/17**

## 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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 Restated			2016/17		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
100,532	(28,055)	72,477	103,622	(28,276)	75,346
84,739	(28,847)	55,892	84,951	(29,088)	55,863
92,603	(13,787)	78,816	80,581	(15,667)	64,914
16,155	(5,199)	10,956	17,205	(7,274)	9,931
15,826	(15,855)	(29)	17,753	(17,953)	(200)
9,476	(35)	9,441	10,851	(1,702)	9,149
78,412	(69,110)	9,302	78,779	(67,405)	11,374
2,138	(9,129)	(6,991)	2,492	(12,430)	(9,938)
119,273	(112,846)	6,427	118,187	(112,677)	5,510
(7,659)	(28,727)	(36,386)	21,376	(29,639)	(8,263)
<b>511,495</b>	<b>(311,589)</b>	<b>199,906</b>	<b>535,796</b>	<b>(322,110)</b>	<b>213,686</b>
		<b>Cost of Services</b>			
14,460	0	14,460	15,639	0	15,639
		Other Operating Expenditure (Note 11)			
36,499	(13,860)	22,639	36,842	(15,535)	21,307
		Financing and Investment Income and Expenditure (Note 12)			
11,889	(253,154)	(241,265)	11,046	(250,786)	(239,741)
		Taxation and Non Specific Grant Income (Note 13)			
<b>574,343</b>	<b>(578,603)</b>	<b>(4,260)</b>	<b>599,323</b>	<b>(588,432)</b>	<b>10,892</b>
		<b>(Surplus) / Deficit on Provision of Services</b>			
		(78,715)			(86,500)
		(Surplus) / deficit on revaluation of Property, Plant and Equipment (Note 24)			
		(147)			(128)
		(Surplus) / deficit on revaluation of available for sale financial assets (Note 24)			
		(74,176)			85,042
		Remeasurement of the net defined benefit liability / (asset) (Note 41)			
		<b>(153,037)</b>			<b>(1,587)</b>
		<b>Other Comprehensive Income and Expenditure</b>			
		<b>(157,297)</b>			<b>9,305</b>
		<b>Total Comprehensive Income and Expenditure</b>			

## 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. This is 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.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2016</b>	(15,517)	(44,395)	(2,000)	(17,252)	(2,996)	(200)	(3,260)	<b>(85,619)</b>	(411,773)	<b>(497,392)</b>
<b>Movement in reserves during 2016/17</b>										
(Surplus) / deficit on the provision of services	20,130		(9,238)					<b>10,892</b>		<b>10,892</b>
Other Comprehensive Income / Expenditure									(1,587)	<b>(1,587)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>20,130</b>	<b>0</b>	<b>(9,238)</b>	<b>0</b>				<b>10,892</b>	<b>(1,587)</b>	<b>9,305</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(30,229)		4,919		(3,478)	0	800	<b>(27,988)</b>	27,988	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(10,099)</b>	<b>0</b>	<b>(4,319)</b>	<b>0</b>	<b>(3,478)</b>	<b>0</b>	<b>800</b>	<b>(17,096)</b>	<b>26,401</b>	<b>9,305</b>
Transfers (to) / from Earmarked Reserves (Note 10)	10,047	(10,047)	4,319	(4,319)				<b>0</b>		<b>0</b>
<b>(Increase) / Decrease in 2016/17</b>	<b>(52)</b>	<b>(10,047)</b>	<b>0</b>	<b>(4,319)</b>	<b>(3,478)</b>	<b>0</b>	<b>800</b>	<b>(17,096)</b>	<b>26,401</b>	<b>9,305</b>
<b>Balance at 31 March 2017</b>	<b>(15,569)</b>	<b>(54,442)</b>	<b>(2,000)</b>	<b>(21,571)</b>	<b>(6,474)</b>	<b>(200)</b>	<b>(2,459)</b>	<b>(102,715)</b>	<b>(385,372)</b>	<b>(488,087)</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account (HRA) £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2015</b>	(15,167)	(43,250)	(2,000)	(18,357)	(3,451)	(200)	(13,580)	<b>(96,005)</b>	(244,094)	<b>(340,099)</b>
<b>Movement in reserves during 2015/16</b>										
(Surplus) / deficit on the provision of services	29,437		(33,697)					<b>(4,260)</b>		<b>(4,260)</b>
Other Comprehensive Income / Expenditure									(153,034)	<b>(153,034)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>29,437</b>	<b>0</b>	<b>(33,697)</b>	<b>0</b>				<b>(4,260)</b>	<b>(153,034)</b>	<b>(157,294)</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(30,930)		34,801		455	0	10,320	<b>14,646</b>	(14,646)	<b>0</b>
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(1,493)</b>	<b>0</b>	<b>1,104</b>	<b>0</b>	<b>455</b>	<b>0</b>	<b>10,320</b>	<b>10,386</b>	<b>(167,680)</b>	<b>(157,294)</b>
Transfers (to) / from Earmarked Reserves (Note 10)	1,144	(1,144)	(1,104)	1,104				<b>0</b>		<b>0</b>
<b>Increase or Decrease in 2015/16</b>	<b>(349)</b>	<b>(1,144)</b>	<b>0</b>	<b>1,104</b>	<b>455</b>	<b>0</b>	<b>10,320</b>	<b>10,386</b>	<b>(167,680)</b>	<b>(157,294)</b>
<b>Balance at 31 March 2016</b>	<b>(15,516)</b>	<b>(44,394)</b>	<b>(2,000)</b>	<b>(17,253)</b>	<b>(2,996)</b>	<b>(200)</b>	<b>(3,260)</b>	<b>(85,619)</b>	<b>(411,774)</b>	<b>(497,393)</b>

## 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 is not able to 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'.

31 March 2016 £'000		Note	31 March 2017 £'000
1,193,334	Property, Plant and Equipment	14	1,309,583
8,670	Intangible Assets	15	12,185
5,150	Long Term Investments	16	5,279
549	Long Term Debtors	16	491
<b>1,207,703</b>	<b>Long Term Assets</b>		<b>1,327,538</b>
564	Short-term Investments	16	1,007
173	Assets Held for Sale	20	6
98	Inventories	17	90
54,700	Short Term Debtors	18	44,726
409	Cash and Cash Equivalents	19	4,263
<b>55,944</b>	<b>Current Assets</b>		<b>50,093</b>
(63,683)	Short-Term Borrowing	16	(73,430)
(48,071)	Short-Term Creditors	21	(59,791)
(5,677)	Provisions	22	(6,101)
<b>(117,431)</b>	<b>Current Liabilities</b>		<b>(139,321)</b>
(274,146)	Long Term Borrowing	16	(274,279)
(335,814)	Other Long-Term Liabilities	38 & 41	(433,016)
(38,863)	Grants Receipts in Advance – Capital	34	(42,927)
<b>(648,823)</b>	<b>Long Term Liabilities</b>		<b>(750,222)</b>
<b>497,393</b>	<b>Net Assets</b>		<b>488,087</b>
(85,619)	Usable Reserves	23	(102,715)
(411,774)	Unusable Reserves	24	(385,372)
<b>(497,393)</b>	<b>Total Reserves</b>		<b>(488,087)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. 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.

2015/16 £		Note	2016/17 £
(4,260)	Net (surplus) / deficit on the provision of services		10,892
(45,959)	Adjustment to (surplus) / deficit on the provision of services for noncash movements	25	(76,772)
37,116	* Adjustment for items included in the net (surplus) / deficit on the provision of services that are investing or financing activities	25	55,851
<b>(13,103)</b>	<b>Net cash flows from operating activities</b>		<b>(10,029)</b>
37,516	* Net cash flows from investing activities	26	17,026
(23,023)	Net cash flows from financing activities	27	(10,852)
<b>1,390</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(3,854)</b>
1,799	Cash and cash equivalents at the beginning of the reporting period		409
<b>409</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>4,263</b>

\* To conform with CIPFA's Code of Practice, interest has been included in Net Operating Activities instead of Investing Activities in 2016/17 although the figures for 2015/16 have been left unchanged from last year's published accounts.

These financial statements replace the unaudited financial statements approved at the meeting of the Audit Committee on 29 June 2017.

Authorised for issue 27 September 2017

C Warboys

Director of Resources &  
Section 151 Officer

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## Note 1 - Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2016/17 and the Service Reporting Code of Practice (SeRCOP) 2016/17, 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 Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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. Acquisitions 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 or discontinued 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.

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 Council'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 Council'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 Council 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 Council 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.

#### vii. Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

#### Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

#### viii. Employee Benefits

##### - Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly 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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council 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 Council 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 Local Government Pensions Scheme, administered by Bedford Borough Council;
- the NHS Pension Scheme, administered by NHS Pensions.

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

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes 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

#### The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

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

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond each year end as prescribed by IAS19.
- The assets of the Fund attributable to the Council are included at their fair value:
  - 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 Council – 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.
- Re-measurements 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 Council 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 transfers 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 earned by employees.

#### ix. Events After the Reporting Period

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.

#### x. Financial Instruments

##### - Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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 Council 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.

#### - Financial Assets

The Council 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 Council 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 Council 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.

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 Council 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 Council.

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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

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 de-recognition 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).

#### xi. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution 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 (specific revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced 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 Council 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 Council.

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 Council 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 Council'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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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 £10K) the Capital Receipts Reserve.

#### xiv. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

#### xv. 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 Council as Lessee

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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 Council as Lessor

Where the Council 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.

#### xvi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

#### xvii. Property, Plant and Equipment

Assets that have 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 future economic benefits or service potential to the Council for more than one financial year and the cost can be reliably measured. This will include costs and fees incurred on capital projects, which are under construction at the year end, where it can be shown that either a new asset will be created or an existing asset enhanced. All other expenditure on assets (i.e., repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as an expense when 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 Council's obligation to meet future rental payments.

The Council sets a £2K 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 Council 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 Council). 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 Council.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH);
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 as follows:

- 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 as follows:

- 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 (i.e., freehold land and 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 – straight-line allocation over the useful life of the asset;
- infrastructure – straight-line allocation over 30 years.

Where a financially material item of Property, Plant and Equipment (PPE) over £1M in Net Book Value has major components over £250K of the asset value, the components will be depreciated separately where the useful life is substantially different and the calculated depreciation can also be shown to be significantly different. Individual PPE assets with a Net Book Value of less than and including £1M will be classed as de-minimis and be excluded from the requirement to be componentised. Given that residential units are valued and reported individually, the Council does not componentise its HRA dwellings on the basis that the value for any single Council dwelling does not exceed £1M.

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 re-classification 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 re-classified 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 re-classified as Assets Held for Sale.

When an asset is disposed of or de-commissioned, 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 £10K are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council'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.

#### xviii. Private Finance Initiatives (PFI) 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 Council 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 Council at the end of the contracts for no additional charge, the Council 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 re-valued and depreciated in the same way as property, plant and equipment owned by the Council. 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 of 7.2% 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.

#### xix. Provisions, Contingent Liabilities and Contingent Assets

##### - Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 Council settles the obligation.

#### - Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

#### - Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

#### xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance/Housing Revenue Account. 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 transferred back into the General Fund Balance/Housing Revenue Account 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, local taxation, retirement and employee benefits and

do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### xxi. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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 Council 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.

#### xxii. VAT

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

#### xxiii. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

## **Note 2 - Accounting Standards Issued, Not Adopted**

The Council is required to disclose information relating to the probable impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code of Practice. The accounting changes introduced in the 2017/18 Code relate to an amendment to the reporting of pension fund scheme transaction costs, and an amendment to the reporting of investment concentration. Neither of these is expected to have a material impact on the Council and will not require a restatement of this year's financial statements in 2017/18.

## **Note 3 - Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has made the following critical judgements about complex transactions or those involving uncertainty about future events.

### Uncertainty about future levels of government funding

There is a degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

### Deposits or investments with financial institutions

The Council has no deposits with any financial institutions that are in administration and has no evidence at the Balance Sheet date to suggest any treasury investment counterparties of the Council will enter into administration.

### Controlling influence with other organisations

A number of Councillors represent the Council on the Boards of external organisations. The Council has determined that it does not have a controlling influence in any of these organisations.

## Depreciation and componentisation

As financially material assets are re-valued or attract capital expenditure, the Council 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 £250K, the asset is not split as any effect on depreciation is immaterial to the financial statements. Where a financially material item of Property, Plant and Equipment over £1.0M in value has major components over £250K of the asset value, the components will be depreciated separately where the useful life is substantially different and the calculated depreciation can also be shown to be significantly different.

## Leases at peppercorn or minimal payments

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.

Lease arrangements where the Council 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.

## Heritage assets

Heritage Assets held by the Council are not financially material in value and therefore are not separately disclosed from Property, Plant and Equipment.

## **Note 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 for the next financial year are:

**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 £1.6M.

#### Pension Liabilities

There are a large number of variable factors used when calculating future pension liabilities, e.g., mortality ratios and future economic conditions. An independent actuary estimates the values within the Balance Sheet.

If any of the factors used to calculate the net 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 net pension liability would represent an increase of £4.2M 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. Any impact would be split between the Council and preceptors, with 49% of this amount impacting the Council.

## **Note 5 - Material Items of Income and Expense**

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

Arlesey Nursery, The Lawns Nursery and Brigham Pre-School were leased to Academy schools in 2016/17 which resulted in a transfer of Property, Plant and Equipment non current assets valued at £1.8M from the Council's Balance Sheet.

## **Note 6 - Events After the Balance Sheet Date**

The Statement of Accounts were authorised for issue by the Director of Resources (Section 151 Officer) on 29 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events known to the Council which would need to be registered as events after the Balance Sheet date.

## Note 7 - Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to the General Fund and HRA	2015/16		Net Expenditure in the Comprehensive Income and Expenditure Statement	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments	£000		Adjustments	£000	
£000	£000	£000	£000	£000	£000	£000
68,996	3,481	72,477	Social Care, Health & Housing	75,654	(308)	75,346
55,054	838	55,892	Children's Services	54,378	1,486	55,864
42,682	36,135	78,817	Community Services	45,977	18,937	64,913
7,100	3,857	10,957	Regeneration & Business Support	6,247	3,684	9,931
(53)	24	(29)	Public Health	(187)	(13)	(201)
8,333	1,108	9,441	Chief Executives	7,790	1,359	9,148
8,532	770	9,302	Resources	11,490	(115)	11,375
3,620	(10,611)	(6,991)	Corporate Costs	2,792	(12,730)	(9,938)
(15,447)	21,875	6,428	Schools	(18,212)	23,722	5,510
(2,876)	(33,510)	(36,386)	Landlord Business (HRA)	(8,242)	(20)	(8,263)
<b>175,941</b>	<b>23,965</b>	<b>199,906</b>	<b>Net Cost of Services</b>	<b>177,685</b>	<b>36,001</b>	<b>213,686</b>
(176,289)	(27,876)	(204,166)	Other Income and Expenditure	(177,737)	(25,057)	(202,794)
<b>(349)</b>	<b>(3,911)</b>	<b>(4,260)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(52)</b>	<b>10,944</b>	<b>10,892</b>
(78,774)			Opening Combined General Fund and HRA Balance	(79,164)		
(349)			Plus / less (Surplus) or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	(52)		
(41)			Transfers (to) / from other Reserves	(14,366)		
<b>(79,164)</b>			<b>Closing Combined General Fund and HRA Balance</b>	<b>(93,582)</b>		

## Note 7A – Note to the Expenditure and Funding Analysis

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	2016/17 Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Social Care, Health & Housing	3,855	(123)	(5)	(4,034)	(308)
Children's Services	199	(106)	(127)	1,520	1,486
Community Services	21,794	(85)	(40)	(2,732)	18,937
Regeneration & Business Support	3,723	(53)	14	0	3,684
Public Health	0	(3)	(10)	0	(13)
Chief Executives	1,375	(25)	8	0	1,359
Resources	7	(63)	(60)	0	(115)
Corporate Costs	22	351	0	(13,103)	(12,730)
Schools	23,035	(198)	775	110	23,722
Landlord Business (HRA)	7,994	(22)	0	(7,992)	(20)
<b>Net Cost of Services</b>	<b>62,004</b>	<b>(327)</b>	<b>555</b>	<b>(26,231)</b>	<b>36,001</b>
Other Income and Expenditure	(37,230)	11,207	3,511	(2,545)	(25,057)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>24,774</b>	<b>10,880</b>	<b>4,066</b>	<b>(28,776)</b>	<b>10,944</b>

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	2015/16 Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Social Care, Health & Housing	3,021	536	14	(90)	3,481
Children's Services	202	628	8	0	838
Community Services	36,042	343	(513)	263	36,135
Regeneration & Business Support	3,632	221	(10,551)	10,555	3,857
Public Health	0	14	(13,626)	13,636	24
Chief Executives	1,216	142	(13)	(238)	1,107
Resources	884	275	(58)	(331)	770
Corporate Costs	7	(153)	(10,555)	90	(10,611)
Schools	23,673	805	(4,753)	2,150	21,875
Landlord Business (HRA)	(19,975)	91	(13,627)	0	(33,510)
<b>Net Cost of Services</b>	<b>48,702</b>	<b>2,903</b>	<b>(53,674)</b>	<b>26,035</b>	<b>23,966</b>
Other Income and Expenditure	(38,816)	12,194	(1,823)	569	(27,877)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>9,886</b>	<b>15,097</b>	<b>(55,498)</b>	<b>26,604</b>	<b>(3,911)</b>

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## Note 8 - Expenditure Analysed by Nature

2015/16		2016/17
£000	Nature of Expenditure or Income	£000
(107,002)	Fees, charges and other service income	(111,917)
(569)	Support service recharge income	(542)
(328)	Interest and investment income	(620)
(164,625)	Income from local taxation	(174,003)
(284,657)	Government grants and contributions	(282,742)
159,601	Employee benefits expenses	164,096
569	Support service recharge expenditure	542
334,064	Other service expenses	344,678
21,260	Depreciation, amortisation and impairment	33,834
22,967	Interest payments	21,927
10,823	Precepts and levies	11,386
529	Payments to Housing Capital Receipts Pool	517
3,108	Gain or loss on disposal of non-current assets	3,736
<b>(4,260)</b>	<b>(Surplus) or Deficit for Year</b>	<b>10,892</b>

## **Note 9 - 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. The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance:**

The General Fund balance is the statutory fund into which all the receipts of the 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 Housing Revenue Account (HRA) services.

### **Housing Revenue Account Balance:**

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

### **Major Repairs Reserve:**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

### Capital Receipts Reserve:

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

### Capital Grants Unapplied:

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

2016/2017	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£	£	£	£	£	£
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(10,555)	(325)				10,880
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(48)	0				48
Council tax and NDR (transfers to or from the Collection Fund)	(966)					966
Holiday pay (transferred to the Accumulated Absences reserve)	(555)					555
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(28,419)	(10,102)			0	38,521
<b>Total Adjustments to Revenue Resources</b>	<b>(40,542)</b>	<b>(10,427)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,969</b>

Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,910	7,354	(14,263)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(517)		517			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		4,567		(4,567)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,648					(1,648)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,273	3,425				(5,698)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>10,314</b>	<b>15,346</b>	<b>(13,746)</b>	<b>(4,567)</b>	<b>0</b>	<b>(7,346)</b>
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			10,268			(10,268)
Use of the Major Repairs Reserve to finance new capital expenditure				4,567		(4,567)
Application of capital grants to finance capital expenditure					800	(800)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>10,268</b>	<b>4,567</b>	<b>800</b>	<b>(15,636)</b>
<b>Total Adjustments</b>	<b>(30,229)</b>	<b>4,919</b>	<b>(3,478)</b>	<b>0</b>	<b>800</b>	<b>27,988</b>

2015/2016	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£	£	£	£	£	£
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(14,642)	(455)				15,097
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	1,649					(1,649)
Council tax and NDR (transfers to or from the Collection Fund)	1,824					(1,824)
Holiday pay (transferred to the Accumulated Absences reserve)	464					(464)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(32,956)	18,447			(620)	15,129
<b>Total Adjustments to Revenue Resources</b>	<b>(43,661)</b>	<b>17,991</b>	<b>0</b>	<b>0</b>	<b>(620)</b>	<b>26,289</b>
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,981	3,174	(5,155)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(529)		529			
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		3,946		(3,946)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	8,867					(8,867)

Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,413	9,690				(12,103)
Total Adjustments between Revenue and Capital Resources	12,731	16,809	(4,625)	(3,946)	0	(20,970)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			5,081			(5,081)
Use of the Major Repairs Reserve to finance new capital expenditure				3,946		(3,946)
Application of capital grants to finance capital expenditure					10,940	(10,940)
Total Adjustments to Capital Resources	0	0	5,081	3,946	10,940	(19,966)
<b>Total Adjustments</b>	<b>(30,929)</b>	<b>34,800</b>	<b>455</b>	<b>0</b>	<b>10,320</b>	<b>(14,646)</b>

## Note 10 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

	Balance at 1 April 2015	Transfers In 2015/16	Transfers Out 2015/16	Balance at 31 March 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves:</b>							
Redundancy Reserve	(1,488)	(500)	1,328	(660)	(500)	772	(388)
Insurance Reserve	(4,280)	(294)	520	(4,054)	(1,536)	1,095	(4,495)
Other Corporate Reserves	(9,024)	(8,672)	5,051	(12,643)	(11,091)	0	(23,734)
Environmental Reserves	(3,992)	(1,278)	458	(4,812)	(3,117)	833	(7,096)
School Specific Contingency	(4,080)	(2,267)	3,237	(3,110)	0	1,669	(1,441)
Other Children's Services	(1,871)	(15)	1,008	(878)	(260)	111	(1,027)
Outcome-based Commissioning	(3,239)	0	753	(2,486)	0	578	(1,908)
Social Care, Health and Housing Reserves	(2,093)	(113)	917	(1,289)	(194)	140	(1,343)
Public Health Reserves	(1,496)	(50)	0	(1,546)	(239)	0	(1,785)
Schools Reserve	(11,689)	(1,227)	0	(12,916)	0	1,692	(11,224)
<b>Total General Fund</b>	<b>(43,250)</b>	<b>(14,416)</b>	<b>13,272</b>	<b>(44,394)</b>	<b>(16,937)</b>	<b>6,890</b>	<b>(54,442)</b>
<b>Housing Revenue Account Reserves:</b>							
Independent Living Development Reserve	(11,962)	(4,116)	7,074	(9,004)	(7,190)	1,296	(14,898)
Strategic Reserve	(6,394)	(3,372)	1,517	(8,249)	0	1,575	(6,673)
<b>Total Housing Revenue Account</b>	<b>(18,356)</b>	<b>(7,488)</b>	<b>8,591</b>	<b>(17,253)</b>	<b>(7,190)</b>	<b>2,871</b>	<b>(21,571)</b>
<b>Total Earmarked Reserves</b>	<b>(61,606)</b>	<b>(21,904)</b>	<b>21,863</b>	<b>(61,647)</b>	<b>(24,127)</b>	<b>9,761</b>	<b>(76,012)</b>

## Note 11 - Other Operating Expenditure

2015/16		2016/17
£000		£000
10,154	Precepts	10,705
669	Levies	681
529	Payments to the Government Housing Capital Receipts Pool	517
3,108	Gains/losses on the Disposal of Non-Current Assets	3,736
<b>14,460</b>	<b>Total Other Operating Expenditure</b>	<b>15,639</b>

## Note 12 - Financing and Investment Income and Expenditure

2015/16		2016/17
10,773	Interest payable and similar charges	10,720
12,194	Net interest on the net defined benefit liability (asset)	11,207
(357)	Interest receivable and similar income	(353)
29	Other investment income and expenditure	(267)
<b>22,639</b>	<b>Total</b>	<b>21,307</b>

## Note 13 - Taxation and Non-Specific Grant Income

2015/16		2016/17
£000		£000
(136,616)	Council tax income	(142,800)
(28,010)	Non-domestic rates income and expenditure	(31,204)
(34,096)	Non-ringfenced government grants	(24,149)
(42,543)	Capital grants and contributions	(41,588)
<b>(241,265)</b>	<b>Total</b>	<b>(239,741)</b>

## Note 14 - Property, Plant and Equipment

### Movements to 31 March 2017

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>Balance as at 1 April 2016</b>	415,692	502,106	32,387	307,196	2,678	4,407	35,727	<b>1,300,193</b>
Additions	10,072	18,766	5,614	32,109	139	54	17,128	<b>83,882</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	30,245	41,439	0	0	0	3,375	4,671	<b>79,729</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,985)	(3,026)	0	0	0	314	0	<b>(7,697)</b>
Derecognition – disposals	(2,130)	(18,607)	(112)	0	(16)	0	0	<b>(20,865)</b>
Reclassifications and transfers	477	(19,264)	1,117	23,077	1,880	18,120	(28,855)	<b>(3,449)</b>
<b>Balance as at 31 March 2017</b>	<b>449,370</b>	<b>521,414</b>	<b>39,005</b>	<b>362,382</b>	<b>4,681</b>	<b>26,269</b>	<b>28,671</b>	<b>1,431,793</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>Balance as at 1 April 2016</b>	(10)	(16,783)	(18,682)	(71,553)	(3)	172	0	<b>(106,859)</b>
Depreciation charge	(4,470)	(9,595)	(1,911)	(11,049)	(12)	(111)	0	<b>(27,147)</b>
Depreciation written out to the Revaluation Reserve	2,958	3,814	0	0	0	0	0	<b>6,771</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,529	464	0	0	0	0	0	<b>1,993</b>
Derecognition – disposals	22	2,944	66	0	0	0	0	<b>3,032</b>
Reclassifications and transfers	(3)	1,435	45	(9)	(695)	(774)	0	<b>0</b>
<b>Balance as at 31 March 2017</b>	<b>25</b>	<b>(17,722)</b>	<b>(20,481)</b>	<b>(82,610)</b>	<b>(710)</b>	<b>(713)</b>	<b>0</b>	<b>(122,210)</b>

## Net Book Value

<b>Balance as at 31 March 2017</b>	<b>449,395</b>	<b>503,693</b>	<b>18,524</b>	<b>279,772</b>	<b>3,971</b>	<b>25,557</b>	<b>28,671</b>	<b>1,309,583</b>
<b>Balance as at 31 March 2016</b>	<b>415,681</b>	<b>485,009</b>	<b>13,705</b>	<b>235,643</b>	<b>2,675</b>	<b>4,893</b>	<b>35,727</b>	<b>1,193,333</b>

## Movements to 31 March 2016

	<b>Council Dwellings</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>								
<b>Balance as at 1 April 2015</b>	358,508	365,946	26,341	286,177	2,575	181	28,071	<b>1,067,799</b>
Additions	15,960	26,763	5,534	21,018	108	0	14,547	<b>83,930</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22,094	56,792	0	0	0	(28)	(143)	<b>78,715</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	23,926	(18,940)	0	0	(5)	(1,824)	0	<b>3,157</b>
Derecognition – disposals	(2,381)	(5,923)	(59)	0	0	0	0	<b>(8,363)</b>
Reclassifications and transfers	1,450	82,861	571	0	0	6,983	(6,748)	<b>85,117</b>
Other movements in cost or valuation	(3,865)	(5,705)				(591)		<b>(10,161)</b>
<b>Balance as at 31 March 2016</b>	<b>415,692</b>	<b>501,794</b>	<b>32,387</b>	<b>307,195</b>	<b>2,678</b>	<b>4,721</b>	<b>35,727</b>	<b>1,300,194</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>Balance as at 1 April 2015</b>	(13)	(14,510)	(17,318)	(61,332)	(3)	1	0	<b>(93,176)</b>
Depreciation charge	(3,864)	(8,444)	(1,422)	(10,220)	0	(2)	0	<b>(23,951)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,865	5,705	0	0	0	591	0	<b>10,161</b>
Derecognition – disposals	1	112	58	0	0	0	0	<b>171</b>

Reclassifications and transfers	0	352	0	0	0	(418)	0	(66)
<b>Balance as at 31 March 2016</b>	<b>(11)</b>	<b>(16,785)</b>	<b>(18,681)</b>	<b>(71,552)</b>	<b>(3)</b>	<b>172</b>	<b>0</b>	<b>(106,861)</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2016</b>	<b>415,681</b>	<b>485,009</b>	<b>13,705</b>	<b>235,643</b>	<b>2,675</b>	<b>4,893</b>	<b>35,727</b>	<b>1,193,333</b>
<b>Balance as at 31 March 2015</b>	<b>358,495</b>	<b>351,436</b>	<b>9,022</b>	<b>224,845</b>	<b>2,572</b>	<b>182</b>	<b>28,071</b>	<b>974,623</b>

#### Depreciation:

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

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

#### Capital Commitments:

As at 31 March 2017, the Council had entered into a contract for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £6.7M. The capital commitment relates to a Broadband Extension Project.

#### 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 2017. All valuations, except Council dwellings, were carried out internally. Council Dwelling valuations are provided by the external Chartered Surveyors Wilks 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.

## Note 15 - Intangible Assets

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

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

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £1.0M charged to revenue in 2016/17 (£0.5M in 2015/16) was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services.

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

31st March 2016		31st March 2017
Total £000		Total £000
Balance at start of year:		
18,393 ·	Gross carrying amounts	18,708
(9,572) ·	Accumulated amortisation	(10,039)
<b>8,821 Net carrying amount at start of year</b>		<b>8,670</b>
Additions:		
315 ·	Purchases	1,050
0	Reclassifications and transfers	3,449
(466)	Amortisation for the period	(983)
<b>8,670 Net carrying amount at end of year</b>		<b>12,185</b>
Comprising:		
18,708 ·	Gross carrying amounts	23,206
(10,039) ·	Accumulated amortisation	(11,022)
<b>8,670</b>		<b>12,185</b>

## Note 16 - Financial Instruments

### Financial Instruments

	Long-term 31 March 2016 £000	Long-term 31 March 2017 £000	Current 31 March 2016 £000	Current 31 March 2017 £000
<b>Investments</b>				
Loans and receivables	0	0	564	1,007
Available-for-sale financial assets	5,150	5,279	0	0
<b>Total investments</b>	<b>5,150</b>	<b>5,279</b>	<b>564</b>	<b>1,007</b>
<b>Debtors</b>				
Loans and receivables	549	491	0	0
Financial assets carried at contract amounts			36,148	17,529
<b>Total included in Debtors</b>	<b>549</b>	<b>491</b>	<b>36,148</b>	<b>17,529</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(274,146)	(274,279)	(63,683)	(73,430)
<b>Total included in Borrowings</b>	<b>(274,146)</b>	<b>(274,279)</b>	<b>(63,683)</b>	<b>(73,430)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	(15,252)	(16,532)		
<b>Total other long term liabilities</b>	<b>(289,398)</b>	<b>(290,811)</b>		
<b>Creditors</b>				
Financial liabilities carried at contract amount			(44,673)	(47,790)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(44,673)</b>	<b>(47,790)</b>

## Income, Expense, Gains and Losses

	2017					Total
	Financial Liabilities: Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss		
	£000	£000	£000	£000	£000	
Interest expense	10,697	0	0	0	10,697	
Fee expense	23	0	0	0	23	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>10,720</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,720</b>	
Interest income	-	(66)	(274)	0	(339)	
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(66)</b>	<b>(274)</b>	<b>0</b>	<b>(339)</b>	
Gains on revaluation	-	-	(128)	-	(128)	
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(128)</b>	<b>-</b>	<b>(128)</b>	
<b>Net (gain)/loss for the year</b>	<b>10,720</b>	<b>(66)</b>	<b>(402)</b>	<b>0</b>	<b>10,252</b>	
	2016					Total
	Financial Liabilities: Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss		
	£000	£000	£000	£000	£000	
Interest expense	10,762	0	0	0	10,762	
Fee expense	11	0	0	0	11	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>10,773</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,773</b>	
Interest income	-	(357)	0	0	(357)	
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(357)</b>	<b>0</b>	<b>0</b>	<b>(357)</b>	
Gains on revaluation	-	-	(146)	-	(146)	
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(146)</b>	<b>-</b>	<b>(146)</b>	
<b>Net (gain)/loss for the year</b>	<b>10,773</b>	<b>(357)</b>	<b>(146)</b>	<b>0</b>	<b>10,270</b>	

## Note 16a - Financial Instruments - Fair Value

### Financial Assets Measured at Fair Value

#### Recurring Fair Value Measurements - Available for sale:

	31 March 2016	31 March 2017
	£'000	£'000
Lime Fund	5,150	5,279
Money Market Funds	0	6,000
<b>Balance 31 March</b>	<b>5,150</b>	<b>11,279</b>

#### The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are required)

### Financial Liabilities

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities held at Amortised Cost	(337,829)	(380,602)	(347,709)	(417,881)
PFI and finance lease liabilities	(15,733)	(21,526)	(17,243)	(25,898)
<b>Total</b>	<b>(353,562)</b>	<b>(402,128)</b>	<b>(364,952)</b>	<b>(443,779)</b>

### Financial Assets

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	564	564	1,007	1,007
Long-Term Debtors	549	549	491	491
<b>Total</b>	<b>1,113</b>	<b>1,113</b>	<b>1,498</b>	<b>1,498</b>

## Note 17 - Inventories

A breakdown of the Council's inventories is given below:

	Community Equipment Service	
	2015/16	2016/17
	£000	£000
Balance outstanding at start of year	0	98
Purchases	98	0
Written-off balances	0	(7)
<b>Balance Outstanding at Year End</b>	<b>98</b>	<b>90</b>

## Note 18 - Debtors

31 March 2016		31 March 2017
£000		£000
6,148	Central Government Bodies	7,602
2,960	Other Local Authorities	2,940
2,592	NHS Bodies	2,403
43,000	Other Entities and Individuals	31,781
<b>54,700</b>	<b>Total Debtors</b>	<b>44,726</b>

\* Debtors are presented net of an impairment allowance in respect of uncollectable debts.

## Note 19 - Cash and Cash Equivalents

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

31 March 2016		31 March 2017
£000		£000
(7,388)	Cash and Bank balances	(3,981)
0	Short Term Investments	6,000
7,797	Short Term Deposits	2,244
<b>409</b>	<b>Total Cash and Cash Equivalents</b>	<b>4,263</b>

\* The overdrawn position in respect of bank accounts reflects outstanding BACS and cheque payments.

## Note 20 - Assets Held for Sale

Current		Current
31 March 2016		31 March 2017
£000		£000
173	Balance outstanding at start of year	173
	Assets newly classified as held for sale:	
100	Property Plant and Equipment	0
	Assets de-classified as held for sale:	
(70)	Assets sold	(167)
(30)	Other Movements	0
<b>173</b>	<b>Balance Outstanding year end</b>	<b>6</b>

## Note 21 - Creditors

31 March 2016		31 March 2017
£'000		£'000
(1,302)	Central Government Bodies	(9,424)
(5,075)	Other Local Authorities	(4,842)
(86)	NHS Bodies	(2,127)
(41,608)	Other Entities and Individuals	(43,398)
<b>(48,071)</b>	<b>Total Creditors</b>	<b>(59,791)</b>

\* Includes PFI short-term liability which had been separately shown in the Balance Sheet in 2015/16.

## Note 22 – Provisions

### Current Provisions

2016/17	Outstanding legal cases	Insurance provision	Other provisions	Total
	£000	£000	£000	£000
Opening Balance	(295)	(2,333)	(3,049)	(5,677)
Increase in provision during year	(504)	(1,212)	(3,450)	(5,167)
Utilised during year	38	357	3,285	3,680
Unused Amounts Reversed	47	854	162	1,064
<b>Closing Balance</b>	<b>(714)</b>	<b>(2,334)</b>	<b>(3,052)</b>	<b>(6,101)</b>

2015/16	Outstanding legal cases	Insurance provision	Other provisions	Total
	£000	£000	£000	£000
Opening Balance	0	(2,378)	(3,325)	(5,703)
Increase in provision during year	(295)	(1,406)	(646)	(2,347)
Utilised during year	0	359	636	995
Unused Amounts Reversed	0	1,091	287	1,378
<b>Closing Balance</b>	<b>(295)</b>	<b>(2,334)</b>	<b>(3,048)</b>	<b>(5,677)</b>

#### Outstanding Legal Cases:

The Council has provided for a number of specific ongoing legal cases.

#### 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 may have to incur costs and make settlement where any payments will not met by relevant insurance contracts.

#### Other Provisions:

Other provisions include the Council's share of Non Domestic Rates valuation appeals (£2.1M) and the cost of approved school closures (£0.4M).

## Note 23 - Usable Reserves

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

### 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 Receipts Reserve

31 March 2016		31 March 2017
£000		£000
(3,451)	Balance 1 April	(2,996)
(5,154)	Capital Receipts in year	(14,263)
528	Capital Receipts Pooled	517
5,081	Capital Receipts used for financing	10,268
<b>(2,996)</b>	<b>Balance 31 March</b>	<b>(6,474)</b>

### Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

#### Major Repairs Reserve

31 March 2016		31 March 2017
£000		£000
(200)	Balance 1 April	(200)
(3,946)	Depreciation and Amortisation	(4,567)
3,946	Application to finance capital expenditure	4,567
<b>(200)</b>	<b>Balance 31 March</b>	<b>(200)</b>

## Capital Grants Unapplied Account

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.

### Capital Grants Unapplied

31 March 2016		31 March 2017	
	£000		£000
(13,580)	Balance 1 April	(3,260)	
(620)	Capital grants recognised in year	0	
10,940	Capital grants and contributions applied	800	
<b>(3,260)</b>	<b>Balance 31 March</b>	<b>(2,459)</b>	

## Note 24 - Unusable Reserves

The table below provides a breakdown of the Council's Unusable Reserves included in the Movement in Reserves Statement. Unusable Reserves have no immediate impact on the current resources available to the Council, but do illustrate potential long term financial resourcing implications.

31 March 2016 £000		31 March 2017 £000
(180,576)	Revaluation Reserve	(263,823)
(150)	Available for Sale Financial Instruments Reserve	(279)
(550,790)	Capital Adjustment Account	(538,503)
(48)	Financial Instruments Adjustment Account	0
320,562	Pension Reserve	416,484
(2,780)	Collection Fund Adjustment Account	(1,814)
2,008	Accumulated Absences Account	2,563
<b>(411,774)</b>	<b>Total</b>	<b>(385,372)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- or
- disposed of and the gains are realised.

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

### Revaluation Reserve

31 March 2016 £000		31 March 2017 £000
(91,966)	<b>Balance 1 April</b>	(180,575)
(88,664)	Upward revaluation of assets	(66,788)

9,952	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(19,712)
<b>(78,712)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(86,500)</b>
2,102	Difference between fair value depreciation and historical cost depreciation	3,072
171	Accumulated gains on assets sold or scrapped	180
<b>2,273</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>3,252</b>
(12,171)	Other movements to the Surplus or Deficit on Provision of Services	0
<b>(180,576)</b>	<b>Balance 31 March</b>	<b>(263,823)</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 either:

- revalued downwards or impaired and the gains are lost; or
- sold and the gains are realised.

### Available for Sale Financial Instruments Reserve

31 March 2016		31 March 2017
£000		£000
(4)	Balance 1 April	(150)
(146)	Upward revaluation of investments	(128)
<b>(150)</b>	<b>Balance 31 March</b>	<b>(279)</b>

### 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 subsequent costs. 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 9 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

### Capital Adjustment Account

31 March 2016 £'000		31 March 2017 £'000
(534,881)	<b>Balance 1 April</b>	(550,790)
23,950	Charges for depreciation and impairment of non-current assets.	27,147
(3,131)	Revaluation losses on non-current assets	5,704
467	Amortisation of intangible assets	983
27,506	Revenue expenditure funded from capital under statute	28,275
8,261	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18,000
57,053	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	80,109
(2,273)	Adjusting Amounts Written out of the Revaluation Reserve	(3,252)
54,780	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	76,856
(5,081)	Use of Capital Receipts Reserve to Finance new capital expenditure	(10,268)
(3,946)	Use of Major Repairs Reserve to finance new capital expenditure	(4,567)
(52,864)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(42,388)
(8,867)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,648)
(12,103)	Capital expenditure charged against the General Fund and HRA balances.	(5,698)
(82,861)	<b>Capital financing applied in year:</b>	(64,569)
12,171	Other movements	0
<b>(550,790)</b>	<b>Balance 31 March</b>	<b>(538,503)</b>

## 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. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement.

### Financial Instruments Adjustment Account

31 March 2016		31 March 2017
£000		£000
1,601	Balance 1 April	(48)
(1,649)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	48
(48)	Balance 31 March	0

## 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 given that 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.

### Pension Reserve

31 March 2016		31 March 2017
£000		£000
379,640	Balance 1 April	320,562
(74,176)	Remeasurements of the net defined benefit (liability)/asset	85,042
34,648	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	30,913
(19,550)	Employers pensions contributions and direct payments to pensioners payable in the year	(20,033)
320,562	Balance 31 March	416,484

## 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 ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

### Collection Fund Adjustment Account

31 March 2016		31 March 2017
£000		£000
(956)	Balance 1 April	(2,780)
(1,824)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	966
<b>(2,780)</b>	<b>Balance 31 March</b>	<b>(1,814)</b>

## 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.

### Accumulated Absences Account

31 March 2016		31 March 2017
£000		£000
2,472	Balance 1 April	2,008
(2,472)	Settlement or cancellation of accrual made at the end of the preceding year	(2,008)
2,008	Amounts accrued at the end of the current year	2,563
(464)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	555
<b>2,008</b>	<b>Balance 31 March</b>	<b>2,563</b>

## Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2016		31 March 2017
£'000		£'000
0	* Interest received	(345)
0	* Interest paid	10,613
<b>0</b>	<b>* Total</b>	<b>10,268</b>

The cash flows for operating activities include the following items:

31 March 2016		31 March 2017
£'000		£'000
(23,950)	Depreciation	(27,147)
3,130	Impairment and downward valuations	(5,704)
(467)	Amortisation	(983)
(1,835)	Increase/(decrease) in creditors	(13,326)
270	(Increase)/decrease in debtors	(168)
98	(Increase)/decrease in inventories	(7)
(15,097)	Movement in pension liability	(10,880)
(8,261)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(18,000)
153	Other non-cash movements charged to the surplus or deficit on provision of services	(556)
<b>(45,959)</b>	<b>Total</b>	<b>(76,772)</b>

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2016		31 March 2017
£'000		£'000
(10,581)	* Interest and investment income	0
5,154	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,263
42,543	Any other items for which the cash effects are investing or financing cash flows	41,588
<b>37,116</b>	<b>Total</b>	<b>55,851</b>

\* To conform with CIPFA's Code of Practice, interest has been included in Net Operating Activities instead of Investing Activities in 2016/17 although the figures for 2015/16 have been left unchanged from last year's published accounts.

## Note 26 - Cash Flow from Investing Activities

31 March 2016		31 March 2017
£'000		£'000
83,692	Purchase of property, plant and equipment, investment property and intangible assets	84,860
11,967	Purchase of short-term and long-term investments	4,005
10,591	* Other payments for investing activities	0
(5,154)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,263)
(11,969)	Proceeds from short-term and long-term investments	(3,505)
(51,611)	Other receipts from investing activities	(54,071)
<b>37,516</b>	<b>Net cash flows from investing activities</b>	<b>17,026</b>

\* To conform with CIPFA's Code of Practice, interest has been included in Net Operating Activities instead of Investing Activities in 2016/17 although the figures for 2015/16 have been left unchanged from last year's published accounts.

## Note 27 - Cash Flow from Financing Activities

31 March 2016		31 March 2017
£'000		£'000
(123,900)	Cash receipts of short-term and long-term borrowing	(290,760)
535	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	418
98,446	Repayments of short-term and long-term borrowing	280,992
1,895	Other payments for financing activities	(1,502)
<b>(23,023)</b>	<b>Net cash flows from financing activities</b>	<b>(10,852)</b>

## Note 28 - Trading Operations

The Council has established four 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 these units are given as follows:

2015/16	Car Parks		2016/17
£000			£000
(1,355)	Income		(1,684)
1,074	Expenditure		1,242
<b>(281)</b>	<b>Net (Surplus) / Deficit for Year</b>		<b>(442)</b>

2015/16	Building Control		2016/17
£000			£000
(736)	Income		(710)
692	Expenditure		610
<b>(44)</b>	<b>Net (Surplus) / Deficit for Year</b>		<b>(100)</b>

2015/16	Albion Archaeology		2016/17
£000			£000
(1,648)	Income		(2,035)
1,915	Expenditure		2,210
<b>267</b>	<b>Net (Surplus) / Deficit for Year</b>		<b>175</b>

2015/16	Leighton Buzzard Theatre		2016/17
£000			£000
(255)	Income		(228)
342	Expenditure		328
<b>87</b>	<b>Net (Surplus) / Deficit for Year</b>		<b>100</b>

2015/16	Trading Operations Total Income and Expenditure:		2016/17
£000			£000
(3,994)	Income		(4,657)
4,023	Expenditure		4,390
<b>29</b>	<b>Net (Surplus) / Deficit for Year</b>		<b>(267)</b>

2015/16	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement:		2016/17
£000			£000
29	Net (surplus) on trading operations		(267)
<b>29</b>	<b>Net (surplus) / deficit included in Financing and Investment Income and Expenditure</b>		<b>(267)</b>

## Note 29 - Pooled Budgets and Partnership Arrangements

### PARTNERSHIP ARRANGEMENTS

#### Better Care Fund:

Effective since April 2015, the Council has entered into a partnership arrangement with NHS Bedfordshire Clinical Commissioning Group in accordance with Section 75 of the National Health Service Act 2006. Central Bedfordshire Council provides financial management for this partnership arrangement.

The Better Care Fund (BCF) is a policy initiative between local authorities, CCGs and NHS providers which has resulted in funds being used to jointly commission or deliver health and social care. Apart from the integrated equipment store arrangements, the terms of the Section 75 agreement means that contracts are stand-alone with the financial risk being retained by the lead body. In relation to the equipment store, the arrangement is hosted by the Council and accounted for as a pooled budget.

The Clinical Commissioning Group and Central Bedfordshire Council have signed a Framework Partnership Agreement relating to the BCF and commissioning of health and social care services. The agreement has established a Partnership Board with joint membership from each organisation. The Partnership Board determines which schemes are funded in the locality. Each partner then manages the contracts with their own providers of BCF services and each partner retains any financial risk relating to those contracts.

2015/16	Better Care Fund	2016/17
£000		£000
(4,607)	Central Bedfordshire Council	(10,313)
(14,100)	Bedfordshire Clinical Commissioning Group	(10,221)
(18,707)	Total Pooled Funding	(20,534)
9,275	Central Bedfordshire Council	9,055
8,906	Bedfordshire Clinical Commissioning Group	10,221
18,181	Expenditure	19,276
<b>(526)</b>	<b>Net Surplus/Deficit on the Pooled Budget</b>	<b>(1,258)</b>
<b>(263)</b>	<b>The Council's Share of the Net Surplus / Deficit</b>	<b>(629)</b>

## POOLED BUDGETS

Bedfordshire Community Equipment Service:

Central Bedfordshire Council (CBC) has entered into a pooled budget arrangement with Bedford Borough Council (BBC) and Bedfordshire Clinical Commissioning Group (BCCG) for the provision of community equipment services to meet the needs of people living in the geographical area. During 2016/17 the Council continued responsibility for hosting the pooled budget.

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

The pooled budget is hosted by the Council on behalf of the three partners to the agreement.

2015/16	Bedfordshire Community Equipment Service	2016/17
£000		£000
(428)	Central Bedfordshire Council	(461)
(256)	Bedford Borough Council	(273)
(1,260)	Bedfordshire Clinical Commissioning Group	(1,344)
(1,944)	Total Pooled Funding	(2,078)
	Expenditure:	
1,944	Central Bedfordshire Council	2,078
<b>0</b>	<b>Net Surplus/Deficit on the Pooled Budget</b>	<b>0</b>

## Note 30 - Members' Allowances

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

31 March 2016		31 March 2017
£'000		£'000
1,078	* Salaries	1,065
116	Expenses	112
1,194	<b>Total Members' Allowances</b>	1,177

\* Salaries figure includes employer's national insurance and superannuation contributions

## Note 31 - Officers' Remuneration

Senior Officers are defined by the Council as any officer at Director level or above. During 2016/17, this classification included the Chief Executive and seven Directors

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

### Officers Remuneration

2016/17		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£0	£0	£0	£0	£0
Chief Executive (R Carr)	2016/17	183,113	1,457	0	45,595	230,165
	2015/16	181,300	1,193	0	45,144	227,637
Director of Children's Services (S Harrison)	2016/17	146,450	748	0	36,466	183,664
	2015/16	145,000	808	0	36,105	181,913
Director of Social Care, Health & Housing (J Ogle)	2016/17	146,450	1,699	0	36,466	184,615
	2015/16	145,000	1,373	0	36,104	182,477
Director of Resources (C Warboys)	2016/17	117,050	1,073	0	29,145	147,268
	2015/16	110,000	853	0	27,390	138,243
Director of Community Services (M Coiffait)	2016/17	117,050	528	0	29,145	146,723
	2015/16	110,000	574	0	27,390	137,964
Director of Improvement & Corporate Services (D Broadbent-Clarke)	2016/17	34,050	167	63,287	0	97,504
	2015/16	132,692	597	0	0	133,289
Chief Legal & Democratic Services Officer (M Clay)	2016/17	0	0	0	0	0
	2015/16	39,579	0	0	9,855	49,434
Director of Regeneration & Business Support (J Longhurst)	2016/17	115,550	2,685	0	28,772	147,007
	2015/16	110,000	1,626	0	27,390	139,016

<b>Director of Public Health (M Scott)</b>	<b>2016/17</b>	101,182	2,994	0	25,734	<b>129,910</b>
	<b>2015/16</b>	100,669	3,167	0	25,604	<b>129,440</b>
<b>Total</b>	<b>2016/17</b>	<b>960,895</b>	<b>11,351</b>	<b>63,287</b>	<b>231,323</b>	<b>1,266,856</b>
	<b>2015/16</b>	<b>1,074,240</b>	<b>10,191</b>	<b>0</b>	<b>234,982</b>	<b>1,319,413</b>

Deb Broadbent-Clarke - Director of Improvement & Corporate Services left the Council on 30th June 2016.

Charles Warboys – Director of Resources was appointed to this new position on 1st October 2016, having previously been the Chief Finance Officer.

Muriel Scott - Director of Public Health is funded by Central Bedfordshire Council, Bedford Borough Council and Milton Keynes Council. Central Bedfordshire Council's element is a total remuneration of £52,671.

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

### Senior Employees Remuneration

	<b>2015/16</b>	<b>2016/17</b>
£50,001 to £55,000	63	51
£55,001 to £60,000	40	58
£60,001 to £65,000	33	36
£65,001 to £70,000	26	21
£70,001 to £75,000	6	8
£75,001 to £80,000	5	6
£80,001 to £85,000	4	3
£85,001 to £90,000	6	6
£90,001 to £95,000	4	1
£95,001 to £100,000	2	4
£100,001 to £105,000	2	3
<b>Total</b>	<b>191</b>	<b>197</b>

The above table shows the Council's other school and non-school permanent employees (excluding those individuals listed above within senior employees) receiving more than £50k remuneration for the year (excluding employer's pension contributions).

### Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0-£20,000	35	22	18	5	53	27	319,000	116,000
£20,001 - £40,000	6	6	7	0	13	6	329,000	155,000
£40,001 - £60,000	0	1	0	1	0	2	0	90,000
£60,001 - £200,000	1	1	1	2	2	3	130,000	312,000
<b>Total</b>	<b>42</b>	<b>30</b>	<b>26</b>	<b>8</b>	<b>68</b>	<b>38</b>	<b>778,000</b>	<b>673,000</b>

The table above includes all exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income & Expenditure Statement for the current year. The Council'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 includes all benefits on termination, e.g., redundancy, pay in lieu of notice, severance and actuarial strain.

## Note 32 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

2015/16		2016/17	
£000		£000	
149	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	139	
42	* Fees payable in respect of other services provided by external auditors during the year	36	
<b>191</b>	<b>Total</b>	<b>175</b>	

\* The fees for other services payable in both 2015/16 and 2016/17 related to Teachers Pensions End of Year Certification (EOYC), grant claims and returns certification.

## Note 33 - Dedicated Schools Grant

Notes	DSG Receivable for 2016/17	Individual Schools Budget		Total
		Central Expenditure £000	Budget £000	
A	Final DSG for year before Academies recoupment			195,435
B	Academy figure recouped for year			(92,506)
C	Total DSG after academy recoupment			<b>102,929</b>
D	Plus: Brought forward from previous year			3,109
E	Less: Carry forward to following year (agreed in advance)			0
F	Agreed initial budgeted distribution in year	<b>22,324</b>	<b>83,713</b>	<b>106,038</b>
G	In year adjustments	(1,721)	649	(1,071)
H	Final budget distribution for year	<b>20,604</b>	<b>84,363</b>	<b>104,966</b>
I	Less: Actual central expenditure	(19,162)		(19,162)
J	Less: Actual ISB deployed to schools		(84,363)	(84,363)
K	Plus: Local Authority contribution for year	0	0	0
L	<b>Carry forward to 2017/18</b>	<b>1,442</b>	<b>0</b>	<b>1,442</b>

Notes	DSG Receivable for 2015/16	Individual Schools		Total
		Central Expenditure £000	Budget £000	
A	Final DSG for year before Academies recoupment			192,114
B	Academy figure recouped for year			(89,800)
C	Total DSG after academy recoupment			<b>102,314</b>
D	Plus: Brought forward from previous year			4,079
E	Less: Carry forward to following year (agreed in advance)			0
F	Agreed initial budgeted distribution in year	<b>21,847</b>	<b>84,546</b>	<b>106,393</b>
G	In year adjustments	(1,820)	(759)	(2,579)
H	Final budget distribution for year	<b>20,027</b>	<b>83,787</b>	<b>103,814</b>
I	Less: Actual central expenditure	(16,918)		(16,918)
J	Less: Actual ISB deployed to schools		(83,787)	(83,787)
K	Plus: Local Authority contribution for year	0	0	0
L	<b>Carry forward to 2016/17</b>	<b>3,109</b>	<b>0</b>	<b>3,109</b>

## Note 34 - Grant Income

The Council credited the following grants, taxes, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

### Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2016		31 March 2017
£000		£000
(30,072)	Revenue Support Grant	(20,152)
(1,341)	Council Tax Freeze Grant	0
(2,683)	NDR Section 31 Grant	(1,730)
0	Transition Grant	(2,234)
0	Council Tax Annex Grant	(33)
(852)	HRA Capital Grant	0
(12,193)	New School Places Programme	(13,729)
(9,822)	New Woodside link road to M1	(7,898)
(4,457)	Highways Structural Maintenance	(4,336)
(2,321)	Section 106 developer contributions	(3,077)
0	Special Schools Provision	(2,402)
(2,712)	Schools Capital Maintenance	(2,236)
0	Stratton Park Phase 5 & 6 additional infrastructure	(1,400)
(2,619)	Local Broadband Infrastructure	(1,186)
(974)	A421-M1 Junction 13 - Milton Keynes Magna Park*	(1,150)
(2,104)	Flitwick Leisure Centre Redevelopment	0

(1,818)	Highways Integrated schemes	0
(2,672)	Others (individually less than £1M)	(4,175)
<b>(76,640)</b>	<b>Total</b>	<b>(65,737)</b>

\* this grant was included in 'Others (individually less than £1M' in 2015/16

## Credited to Services

31 March 2016		31 March 2017
£000		£000
(102,314)	Dedicated Schools Grant	(102,929)
(60,249)	Housing Benefit Administration Subsidy Grant	(58,446)
(11,306)	Public Health Grant	(12,909)
(9,070)	New Homes Bonus Grant	(11,725)
(4,939)	Better Care Fund (NHS Grant)	(5,055)
(4,086)	Pupil Premium Grant (EFA)	(3,866)
0	EFA (UIFSM/Primary PE&Sports/Year 7 Catch-Up Premium)*	(3,444)
(3,326)	Additional Grant for Schools**	(3,361)
(2,582)	Post-16 - Education Funding Agency Grant	(2,523)
(2,250)	Early Intervention Grant	(2,097)
0	PFI*	(1,886)
(1,103)	Adult & Community Learning Grant	(1,330)
(835)	Asylum Seekers Grant**	(1,175)
(5,956)	Others (individually less than £1M)	(6,259)
<b>(208,016)</b>	<b>Total</b>	<b>(217,005)</b>

\* The PFI and EFA grants had not been included in the above table but rather reported within 'Fees, charges and other service income' in 2015/16.

\*\* these grants were included in 'Others (individually less than £1M' in 2015/16

## Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

31 March 2016		31 March 2017
£000		£000
(26,051)	Section 106 developer contributions	(38,507)
(5,094)	New School Places Programme	0
(3,948)	New Woodside link road to M1	0
(1,618)	Special Schools Provision	0
(2,152)	Others (individually less than £1M)	(4,420)
<b>(38,863)</b>	<b>Total</b>	<b>(42,927)</b>

## Note 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.

Central Government:

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

Members:

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in Note 30.

A number of Councillors are school governors and are appointed Town and Parish Council Members, although they do not control or significantly influence any of these public bodies given the nature of governance arrangements in place.

A list of Councillor relationships with companies / organisations that have had material financial transactions in 2016/17 with the Council is provided below. Contracts were entered into in full compliance with the Council's standing orders. Material financial transactions for this purpose are defined as those over £1.0M. If however the transactions are below £1.0M, but significant in relation to the total income and expenditure of the Related Party, they have been included within this disclosure.

<b>Councillor</b>	<b>Organisation</b>	<b>Relationship</b>	<b>2016/17 Expenditure by the Council £'000</b>
S. Dixon	Willmott Dixon which is wholly owned by Hardwicke Investments	Shareholder	2,551
P. Hollick	South Beds Dial-A-Ride	Member	198
D. Bowater	South Essex Partnership	CBC-appointed Governor	8,150

Senior Officers:

Senior Officers are defined as per Note 31.

During 2016/17, there were no material related party transactions relating to Senior Officers.

Other Public Bodies:

The Council hosts a partnership arrangement with NHS Bedfordshire Clinical Commissioning Group in respect of the Better Care Fund (BCF). Established in April 2015, it provides funds to local areas to support the integration of health and social care. The agreement has established a Partnership Board with joint membership from each organisation. The Partnership Board determines which schemes are funded in the locality. Each partner then manages the contracts with their own providers of BCF services and each partner retains any financial risk relating to those contracts.

The Council also hosts a pooled budget arrangement with NHS Bedfordshire Clinical Commissioning Group and Bedford Borough Council for the provision of Community Equipment Services.

Further details of these two partnership and pooled budget arrangements are included in Note 29.

Pension Fund:

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Bedford Borough Council. Details of payments made to the Bedfordshire Pension Fund for employer's superannuation contributions are shown in Note 41.

Entities Controlled or Significantly Influenced by the Council:

Whilst there are no groups controlled or significantly influenced by Central Bedfordshire Council, since 1st April 2016, the Council has held a one-third ownership of LGSS Law Ltd which is a Local Authorities Trading Company (LATC). Established by Cambridgeshire County Council and Northamptonshire County Council, the company's main objective is to provide legal services to the public sector. Total payments of £2.2m were made to LGSS Law Ltd in 2016/17 for legal services, undertaking the role of the Council's Monitoring Officer and disbursements.

## **Note 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 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 as follows:

### Capital Expenditure and Capital Financing

31 March 2016		31 March 2017
£000		£000
446,919	Opening Capital Financing Requirement	475,810
	Capital Investment:	
83,930	Property Plant and Equipment	83,882
315	Intangible Assets	1,050
27,506	Revenue Expenditure Funded from Capital Under Statute	28,275
111,751	<b>Total Capital Spending</b>	113,206
	Sources of Finance:	
(5,081)	Capital receipts	(10,268)
(52,863)	Government Grants and other contributions	(42,388)
(3,946)	Major repairs reserve	(4,567)
	Sums set aside from revenue:	
(12,103)	- Direct revenue contributions	(5,698)
(8,867)	- Minimum revenue provision	(1,648)
(82,860)	<b>Total Sources of Finance</b>	(64,569)
<b>475,810</b>	<b>Closing Capital Financing Requirement</b>	<b>524,446</b>

### Explanation of movements in year

31 March 2016		31 March 2017
£		£
28,891	Increase in underlying need to borrow (unsupported by government financial assistance)	48,637
<b>28,891</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>48,637</b>

## Note 37 - Leases

### Council as Lessee

Finance Leases:

At 31 March 2016, the Council has not taken any finance leases.

Operating Leases:

The Council has use of a number of buildings and land in delivering services 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.

### Council as Lessee - Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31 March 2016 £'000		31 March 2017 £'000
199	Not later than one year	200
557	Later than one year and not later than five years	410
410	Later than five years	254
<b>1,166</b>	<b>Total</b>	<b>865</b>

The expenditure charged to services in the CIES during the year in relation to these leases was:

31 March 2016 £'000		31 March 2017 £'000
254	Minimum lease payments	200
<b>254</b>	<b>Total</b>	<b>200</b>

## Council as Lessor

### Finance Leases:

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

### Operating Leases:

The Council leases out property (as landlord) 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 minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### Council as Lessor - Operating Leases

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

31 March 2016 £'000		31 March 2017 £'000
1,486	Not later than one year	1,341
4,165	Later than one year and not later than five years	4,076
23,178	Later than five years	22,873
<b>28,829</b>	<b>Total</b>	<b>28,290</b>

## **Note 38 - Service concession arrangements**

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 buildings and associated facilities management at two schools (Samuel Whitbread Academy and Harlington Upper School) which have both since converted to Academy status.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct new buildings, refurbish existing buildings and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools.

The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Academies for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

### **Property, Plant and Equipment:**

The assets used to provide services at the schools are not recognised on the Council's Balance Sheet, given that the two schools have converted to Academy status and the assets were written out of the Council's asset register at the point of transfer.

### **Payments:**

The Council makes an agreed payment each year to Bedford Education Partnership Ltd which is increased each year by inflation linked to the Retail Price Index (RPI) and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed until the contract expires on 31 December 2035. The payment was £4.557M in 2016/17 (£4.286M in 2015/16).

## Movement in PFI Liabilities

2016/17	Schools PFI	Total
	£'000	£'000
Balance outstanding at start of year	(15,733)	(15,733)
Payments during the year	(1,510)	(1,510)
<b>Balance outstanding at year-end</b>	<b>(17,243)</b>	<b>(17,243)</b>

2015/16	Schools PFI	Total
	£'000	£'000
Balance outstanding at start of year	(16,268)	(16,268)
Payments during the year	535	535
<b>Balance outstanding at year-end</b>	<b>(15,733)</b>	<b>(15,733)</b>

## Payments due under PFI schemes - 2016/17

Reimbursement of Capital Expenditure	Schools PFI	Total
	£'000	£'000
Payable within one year	(711)	(711)
Payable within two to five years	(2,383)	(2,383)
Payable within six to ten years	(3,710)	(3,710)
Payable within eleven to fifteen years	(5,271)	(5,271)
Payable within sixteen to twenty years	(5,168)	(5,168)
<b>Total</b>	<b>(17,243)</b>	<b>(17,243)</b>

Interest	Schools PFI	Total
	£'000	£'000
Payable within one year	(1,575)	(1,575)
Payable within two to five years	(5,883)	(5,883)
Payable within six to ten years	(7,025)	(7,025)
Payable within eleven to fifteen years	(6,186)	(6,186)
Payable within sixteen to twenty years	(6,203)	(6,203)
<b>Total</b>	<b>(26,872)</b>	<b>(26,872)</b>

Payment for Services	Schools PFI	Total
	£'000	£'000
Payable within one year	(1,399)	(1,399)
Payable within two to five years	(6,529)	(6,529)
Payable within six to ten years	(8,383)	(8,383)
Payable within eleven to fifteen years	(8,407)	(8,407)
Payable within sixteen to twenty years	(5,705)	(5,705)
<b>Total</b>	<b>(30,423)</b>	<b>(30,423)</b>

## **Note 39 - Termination Benefits**

The Council terminated the contracts of 38 employees in 2016/17, incurring direct redundancy costs of £673K (68 employees and £778K in 2015/16) – see Note 31 for the number of exit packages and total cost per band. These costs have been incurred as part of the Council's drive to reduce operating costs:

- £100K paid to 2 officers in Children's Services
- £72K paid to 3 officers in Corporate Services
- £285K paid to 10 officers in Regeneration & Community Services
- £157K paid to 21 officers in Social Care, Health & Housing
- £59K paid to 2 officers for schools.

## **Note 40 - 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 (DfE). 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 a multi-employer defined benefit scheme. The Scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The Scheme has in excess of 7,700 participating employers and consequently 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 2016/17, the Council paid £5.573M to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.49% of pensionable pay. The comparative figures for 2015/16 were £5.219M and 15.43% respectively. 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 41.

The Council is not liable to the Scheme for any other entities' obligations under the plan.

### **Public Health Staff**

Under the new arrangements for Public Health, staff performing public health functions were compulsorily transferred to the Council on 1 April 2013 on the abolition of the Primary Care Trusts (PCTs) nationally. The transferred staff retained access to the NHS Pension Scheme. The Scheme provides specified benefits upon retirement towards which the Council makes contributions based on a percentage of members' pensionable salaries. The Scheme is administered by the Department of Health (DoH).

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the DoH uses a notional fund as the basis for setting employer contribution rates. Valuations of the fund are undertaken every four years.

The Scheme has over 1.35M active members employed in a wide variety of organisations. The Council is unable 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 2016/17, the Council paid £50K to the NHS Pension Scheme in respect of the retirement benefits of public health staff (£53K in 2015/16). There were no contributions remaining payable at the year-end.

The Council is not liable to the Scheme for any other entities' obligations under the plan.

## **Note 41 - Defined Benefit Pension Scheme**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme (LGPS). Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in one post-employment scheme: the 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 the LGPS.

Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Bedfordshire Pension Fund is operated under the regulatory framework for the LGPS and the governance of the Scheme is the responsibility of the pensions committee of Bedford Borough Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Chief Finance Officer and resources of the appointed Investment Fund managers.

The principal risks to the Council of the Scheme are the longevity assumptions, statutory changes to the Scheme, structural changes to the scheme (i.e., large-scale withdrawals from the Scheme), changes to inflation, bond yields and the performance of the equity investments held by the Scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the Accounting Policies Note 1.

**Discretionary Post-retirement Benefits:**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

There are no plan assets built up to meet these pension liabilities.

**Transactions Relating to Post-employment Benefits:**

The Council recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account 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.

## General Fund Transactions

2015/16		2016/17
LGPS		LGPS
£000		£000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
	Service cost comprising:	
22,614	Current service cost	19,320
(160)	(Gain) / loss from curtailments	386
	Financing and Investment Income and Expenditure	
12,194	Net interest expense	11,207
<b>34,648</b>	<b>Total charged to Surplus and Deficit on Provision of Services</b>	<b>30,913</b>

## Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

£000		£000
	Remeasurement of the net defined benefit liability comprising:	
9,504	Return on plan assets (excluding the amount included in the net interest expense)	(60,208)
(12,499)	Actuarial gains and losses arising on changes in demographic assumptions	(2,695)
(71,181)	Actuarial gains and losses arising on changes in financial assumptions	147,945
<b>(39,528)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>115,955</b>

2015/16		2016/17
LGPS		LGPS
£000		£000
<b>Movement in Reserves Statement</b>		
(34,648)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(30,913)
	Actual amount charged against the general fund balance for pensions in the year:	
19,551	Employers' contributions payable to scheme	20,033

2015/16	Pensions Assets and Liabilities Recognised in the Balance Sheet	2016/17
LGPS		LGPS
£000		£000
(747,661)	Present value of the defined obligation	(917,401)
427,099	Fair value of plan assets	500,917
<b>(320,562)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(416,484)</b>

2015/16	Movement in the the Value of Scheme Assets	2016/17
LGPS		LGPS
£000		£000
422,698	Opening fair value of scheme assets	427,099
13,532	Interest income	14,915
	Remeasurement gain / (loss):	
(9,504)	The return on plan assets, excluding the amount included in the net interest expense	60,208
19,551	Contributions from employer	20,033
5,168	Contributions from employees into the scheme	5,069
(24,346)	Benefits / transfers paid	(26,407)
<b>427,099</b>	<b>Closing value of scheme assets</b>	<b>500,917</b>

2015/16	Movements in the Fair Value of Scheme Liabilities	2016/17
LGPS		LGPS
£000		£000
(802,339)	Opening balance at 1 April	(747,661)
(22,614)	Current service cost	(19,320)
(25,726)	Interest cost	(26,122)
(5,168)	Contributions from scheme participants	(5,069)
	Remeasurement gains and losses:	
12,499	Actuarial gains / (losses) from changes in demographic assumptions	2,695
71,181	Actuarial gains / (losses) from changes in financial assumptions	(147,945)
(113)	Gains / (losses) on curtailments	(386)
24,346	Benefits / transfers paid	26,407
273	Liabilities extinguished on settlements	0
<b>(747,661)</b>	<b>Balance as at 31 March</b>	<b>(917,401)</b>

The table above shows the amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans.

## Basis for Estimating Assets and Liabilities:

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the Bedfordshire Pension Fund being based on the latest full valuation of the Scheme as at 1 April 2016.

The significant assumptions used by the actuary have been:

2015/16	Local Government Pension Scheme	2016/17
3.5%	Long-term expected rate of return on assets in the scheme *	2.6%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.4	Men	22.4
24.3	Women	24.5
	Longevity at 65 for future pensioners:	
24.4	Men	24.0
26.8	Women	26.2
3.2%	Retail Price Inflation (RPI)	2.7%
3.2%	Rate of increase in salaries	2.7%
2.2%	Consumer Price Inflation (CPI) – pension increase rate	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%

\* Rate for discounting scheme liabilities, which is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The following sensitivity analysis has 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 following sensitivity analysis did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		
	2016/17	
	Approximate % increase to Employer Liability	Approximate monetary amount
		£'000
Rate of increase in salaries (0.5% increase)	1%	10,098
Rate of increase in pensions (0.5% increase)	8%	74,281
Rate of discounting Scheme liabilities (0.5% decrease)	9%	85,354

## Note 42 - Contingent Liabilities

At 31 March 2017, the Council was not aware of any contingent liabilities.

## Note 43 - Contingent Assets

At 31 March 2017, the Council was not aware of any contingent assets.

## Note 44 - 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 the counterparty to a financial asset might fail to meet its contractual obligations, causing a loss to the Council;
- liquidity risk – the possibility that the Council might not have the cash available to make its contracted payments on time;
- market risk – the possibility that an unplanned financial loss might arise for the Council as a result of changes in market variables such as interest rates or equity prices.

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 Resources Directorate'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 lowest published long-term credit rating assigned by the international rating agencies of Moody's, Standards & Poor's, and Fitch – a minimum long-term rating of BBB+ (or Moody's equivalent of Baa1) for UK counterparties: AA+ (or Moody's equivalent of Aa1) 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 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 2017 that this risk was likely to crystallise.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

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 has a total of £13.067M customer balances which have been invoiced at year end. This is analysed in the table 'Credit Risk - Debtors' shown later in this Note.

The Council's experience of customer debtor balance write offs equated to 1.8% of the year end total in 2016/17, which compares to 2.0% in 2015/16.

<b>Credit Risk - Debtors</b>	<b>31 March 2016</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Less than three months	8,142	7,765
Three to six months	1,026	855
Six months to one year	2,052	1,710
More than one year	1,807	2,737
	<b>13,027</b>	<b>13,067</b>

## Liquidity Risk:

The Council has a cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan 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. This strategy is to ensure that no more than 50% of loans are due to mature within any one year period through the careful planning of new loans taken out. The maturity analysis of financial liabilities is analysed in the table 'Liquidity Risk' shown later in this Note.

Liquidity Risk	31 March 2016	31 March 2017
	£000	£000
Less than one year	62,512	72,280
Between one and two years	0	0
Between two and five years	0	0
More Than 5 Years	100,246	100,246
More Than 10 years	175,314	175,314
	<u>338,072</u>	<u>347,840</u>

## 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. 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.

The Council has a number of strategies for managing interest rate risk and aims to keep a maximum of 50% 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 budget monitoring quarterly during the year. This allows any adverse changes to be mitigated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect is outlined in the table 'Market Risk - Interest Rate Risk' shown later in this Note. The impact of a 1% fall in interest rates would be the same movement as above but in reverse for variable rated borrowing.

<b>Market Risk - Interest Rate Risk</b>	<b>31 March 2017</b>
	<b>£000</b>
Increase in interest payable on variable rate borrowings	1,173
Increase in interest receivable on variable rate investments	(92)
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	<b>1,080</b>
	<hr/>
Share of overall impact debited to the HRA	<b>154</b>
	<hr/>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>(41,013)</b>

## **Price Risk**

The Council does not invest in equity shares but does hold units to the value of £5.3M in a property fund with Aviva Investors (the "Lime Fund"). The Council is consequently exposed to losses arising from movements in the price 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 units held are all classified as 'Available-for-Sale' and 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 price of units (positive or negative) would result in a £264K

gain or loss being recognised in the Available-for-Sale Financial Instruments Reserve for 2016/17 (the actual cumulative unrealised gain for the Lime Fund stood at £279K as at 31/03/2017).

## Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. As a result, there is no exposure to losses arising from movements in exchange rates.

## Note 45 - Trust Funds

The Council acts a custodian trustee for four trust funds. The funds are not assets of the Council and therefore they have not been included in the Council's Balance Sheet.

Funds for which the Council acts as custodian trustee:

2016/17

Fund	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
LW Williams Fund	0	0	10	0
Adult Social Care Customer Fund	0	0	30	0
LuDun Fund	0	0	130	0
Linsell House Bequest	0	2	21	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>191</b>	<b>0</b>

2015/16

Fund	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
LW Williams Fund	0	0	10	0
Adult Social Care Customer Fund	0	0	30	0
LuDun Fund	0	2	126	0
Linsell House Bequest	0	0	23	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>189</b>	<b>0</b>

# **Supplementary Financial Statements 2016/17**

# Housing Revenue Account Income and Expenditure Statement

31 March 2016		31 March 2017
£000		£000
<b>Expenditure</b>		
4,944	Repairs & Maintenance	5,234
6,807	Supervision & Management	7,427
303	Rents, Rates, Taxes and other charges	405
(19,975)	Depreciation, impairments and revaluation losses of non-current assets	7,994
118	Debt Management Costs	135
42	Movement in the allowance for bad debts	86
<b>(7,760)</b>	<b>Total Expenditure</b>	<b>21,280</b>
<b>Income</b>		
(26,829)	Dwelling rents	(27,257)
(501)	Non-dwelling rents	(553)
(873)	Charges for services and facilities	(967)
(524)	Contributions from General Fund	(862)
<b>(28,727)</b>	<b>Total Income</b>	<b>(29,639)</b>
<b>(36,488)</b>	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(8,359)</b>
101	HRA Services Share of Corporate & Democratic Core	96
<b>(36,386)</b>	<b>Net Expenditure of HRA Services</b>	<b>(8,263)</b>
(793)	Gains/loss on sale of HRA Fixed Assets	(5,246)
4,034	Interest Payable and Similar Charges	3,975
(63)	HRA Interest and Investment Income	(52)
364	Net interest on the defined benefit liability/asset	347
(851)	Capital Grants and Contributions	0
<b>(33,697)</b>	<b>(Surplus) or Deficit for Year on HRA Services</b>	<b>(9,238)</b>

## Movement on the HRA Statement

31 March 2016 £000	Movement on the HRA Statement	31 March 2017 £000
(2,000)	Balance on the HRA at the end of the previous year	(2,000)
(33,696)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(9,238)
34,800	Adjustments between accounting basis and funding basis under statute	4,919
1,104	Net (increase) or decrease before transfers to or from reserves	(4,319)
(1,104)	Transfer to/(from) reserves	4,319
0	(Increase) or decrease on the HRA for the year	0
<b>(2,000)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(2,000)</b>

31 March 2016 £000	Adjustment between accounting basis	31 March 2017 £000
20,826	Transfers to/from the Capital Adjustment Account	(7,994)
793	Gain or loss on sale of non-current assets	5,246
(456)	Contributions to or from the Pension Reserve	(325)
3,946	Transfers to/(from) Major Repairs Reserve	4,567
9,690	Capital expenditure funded by the HRA	3,425
<b>34,799</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>4,919</b>

31 March 2016	Transfer to/from Reserves	31 March 2017
£000		£000
7,487	Transfers to earmarked reserves	7,190
(8,591)	Transfers from earmarked reserves	(2,871)
<b>(1,104)</b>	<b>Total Transfers</b>	<b>4,319</b>

## Notes to the HRA Account

### HRA 1 Housing Stock

The number and types of dwelling in the Council's housing stock:

Property Type	Stock at 01/04/2016	Additions	Sales	Demolished	Stock at 31/03/2017
Low rise flats	1,293	45	(7)	0	1,331
Medium rise flats	503	90	0	0	593
High rise flats	0	0	0	0	0
Houses & bungalows	3,309	9	(22)	(1)	3,295
<b>Total</b>	<b>5,105</b>	<b>144</b>	<b>(29)</b>	<b>(1)</b>	<b>5,219</b>

### HRA 2 Balance Sheet Values of HRA Assets

Value at 31/03/2016		Value at 31/03/2017	
£000	Operational assets	£000	
414,232	Council dwellings	449,395	
6,986	Other land & buildings	6,879	
<b>421,218</b>		<b>456,274</b>	

As at 1 April 2016, the vacant possession value of the Council's dwellings is estimated at £880.5M. The lower Balance Sheet value of £449.4M shown above reflects its existing use as tenanted council housing at less than market rents.

### HRA 3 Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

31 March 2016		31 March 2017
£000		£000
(200)	Balance at 1 April	(200)
(3,946)	Total depreciation on all HRA assets	(4,567)
3,946	Expenditure in year	4,567
<b>(200)</b>	<b>Balance at 31 March</b>	<b>(200)</b>

### HRA 4 Capital Expenditure and Financing

The Council spent £10.2M on HRA capital projects in 2016/17 (2015/16 £17.6M). This spending was financed from the following sources:

31 March 2016		31 March 2017
£000		£000
<b>Capital investment</b>		
17,588	Operational assets	10,163
<b>17,588</b>	<b>Total capital investment</b>	<b>10,163</b>
<b>Sources of funding</b>		
(3,100)	Capital Receipts	(3,359)
(3,946)	Major Repairs Reserve	(4,567)
(852)	Government grants and other contributions	0
(9,690)	Direct Revenue Financing	(2,237)
<b>(17,588)</b>	<b>Total funding</b>	<b>(10,163)</b>

## HRA 5 Capital Receipts

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

### Total Capital Receipts Generated during the year

31 March 2016		31 March 2017	
	£000		£000
(3,163)	Council Houses	(7,323)	
(10)	Right to Buy	0	
(2)	Principal Repayments on Mortgage	0	
0	Sale of Land	(31)	
<b>(3,175)</b>	<b>Total</b>	<b>(7,354)</b>	

## HRA 6 Depreciation and Impairment

Depreciation and impairment is only charged to the HRA in respect of operational assets. The charges for 2016/17 were as follows:

### Depreciation and Impairment of Non-Current Assets

31 March 2016		31 March 2017	
Depreciation	Impairment	Depreciation	Impairment
£000	£000	£000	£000
(3,864)	23,927	(4,470)	(3,456)
(82)	(6)	(97)	29
<b>(3,946)</b>	<b>23,921</b>	<b>(4,567)</b>	<b>(3,427)</b>

## HRA 7 Rent Arrears

The amount of rent arrears and the aggregate Balance Sheet impairment allowance in respect of uncollectable debts:

	31 March 2016 £000	31 March 2017 £000
Current Tenant Arrears	428	437
Former Tenant Arrears	482	513
<b>Gross Rent Arrears</b>	<b>910</b>	<b>950</b>
Bad Debt Provision	(541)	(575)
<b>Total</b>	<b>369</b>	<b>375</b>

## HRA 8 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 Movement on the HRA Statement balance in the year.

31 March 2016 £000		31 March 2017 £000
674	Current Service Cost	599
364	Net interest expense	347
<b>1,038</b>	<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>946</b>
(583)	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(621)
<b>455</b>	<b>Movement on Pension Reserve</b>	<b>325</b>

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

31 March 2016			31 March 2017			
Business Rates £'000	Council Tax £'000	Total £'000	Collection Fund	Business Rates £'000	Council Tax £'000	Total £'000
<b>INCOME:</b>						
	161,182	161,182	Council Tax Receivable		168,175	168,175
75,703		75,703	Business Rates Receivable	85,200		85,200
<b>75,703</b>	<b>161,182</b>	<b>236,885</b>	<b>Total amounts to be credited</b>	<b>85,200</b>	<b>168,175</b>	<b>253,375</b>
<b>EXPENDITURE:</b>						
<b>Apportionment of Previous Year Surplus/Deficit:</b>						
1,464		1,464	Central Government	2,728		2,728
1,434	(1,195)	239	Central Bedfordshire Council	2,673	(4,071)	(1,398)
0	(132)	(132)	Police and Crime Commissioner for Bedfordshire	0	(459)	(459)
29	(74)	(45)	Bedfordshire Fire and Rescue Service	55	(256)	(202)
<b>Precepts, demands and shares:</b>						
(40,322)		(40,322)	Central Government	(42,712)		(42,712)
(39,515)	(122,188)	(161,703)	Central Bedfordshire Council	(41,858)	(130,486)	(172,344)
0	(14,912)	(14,912)	Police and Crime Commissioner for Bedfordshire	0	(15,625)	(15,625)
(806)	(8,333)	(9,139)	Bedfordshire Fire and Rescue Service	(854)	(8,731)	(9,585)

	(10,154)	(10,154)	Parishes		(10,705)	(10,705)
			<b>Charges to Collection Fund:</b>			
(87)	0	(87)	Write-offs of uncollectable amounts	(105)	0	(105)
(586)	(612)	(1,198)	Increase/(decrease) in allowance for impairment	(546)	(739)	(1,285)
1,573		1,573	Increase/(decrease) in allowance for appeals	(215)		(215)
(227)		(227)	Transitional Protection Payments Payable	(345)		(345)
(314)		(314)	Charge to General Fund for allowable collection costs for non-domestic rates	(312)		(312)
			<b>Other transfers to General Fund in accordance with non-domestic rates regulations [report separately for each major Scheme where transfers are material]</b>			
(383)		(383)	Renewable Energy	(392)		(392)
<b>(77,740)</b>	<b>(157,600)</b>	<b>(235,340)</b>	<b>Total amounts to be debited</b>	<b>(81,883)</b>	<b>(171,072)</b>	<b>(252,955)</b>
<b>(2,037)</b>	<b>3,582</b>	<b>1,545</b>	<b>Surplus /(deficit) arising during the year</b>	<b>3,317</b>	<b>(2,897)</b>	<b>420</b>
<b>(5,165)</b>	<b>3,688</b>	<b>(1,477)</b>	<b>Surplus/(deficit) b/f at 1 April 2016</b>	<b>(7,202)</b>	<b>7,270</b>	<b>68</b>
<b>(7,202)</b>	<b>7,270</b>	<b>68</b>	<b>Surplus/(deficit) c/f at 31 March 2017</b>	<b>(3,885)</b>	<b>4,373</b>	<b>488</b>

## Notes to the Collection Fund

The Collection Fund is required by statute to show the transactions of the billing authority 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 Fire and Rescue Service. Town and parish precepts form part of the amount due to be collected from Council Taxpayers within Central Bedfordshire.

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

### 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 1% to allow for non-collection and other reductions such as discounts and appeals.

### Note 1 - Council Tax Income

#### 2016/17

Band	Valuation band limits £	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
		No		No
A	Upto and including - 40,0000	9,721	6/9	6,481
B	40,001 - 52,000	23,018	7/9	17,903
C	52,001 - 68,000	32,356	8/9	28,761
D	68,001 - 88,000	21,762	9/9	21,762
E	88,001 - 120,000	14,917	11/9	18,232
F	120,001 - 160,000	8,021	13/9	11,586
G	160,001 - 320,000	4,692	15/9	7,820
H	More than - 320,001	352	18/9	704
Adjustment				(17,303)
Council tax base				<u>95,946</u>

2015/16

Band	Valuation band limits £	Calculated no of dwellings	Ratio to band D	Equated No of dwellings	
		No		No	
A	Upto and including - 40,0000	9,580	6/9	6,387	
B	40,001 - 52,000	22,742	7/9	17,688	
C	52,001 - 68,000	31,931	8/9	28,383	
D	68,001 - 88,000	21,287	9/9	21,287	
E	88,001 - 120,000	14,629	11/9	17,880	
F	120,001 - 160,000	7,840	13/9	11,324	
G	160,001 - 320,000	4,589	15/9	7,648	
H	More than - 320,001	345	18/9	690	
				Adjustment	(17,895)
				Council tax base	<u>93,392</u>

	31 March 2016			31 March 2017		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Central Bedfordshire Council	6,190	(3,529)	2,661	3,727	(1,904)	1,823
Central Government	0	(3,601)	(3,601)	0	(1,942)	(1,942)
Police & Crime Commissioner for Bedfordshire	693	0	693	415	0	415
Bedford Fire & Rescue Service	387	(72)	315	232	(40)	192
<b>Total</b>	<b>7,270</b>	<b>(7,202)</b>	<b>68</b>	<b>4,373</b>	<b>(3,886)</b>	<b>487</b>

**Independent Auditor's Report To The Members Of Central  
Bedfordshire Council**

**To be included following completion of the audit.**

## **Annual Governance Statement 2016/17**

**To be included following completion of the audit.**

## **Glossary**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACQUISITIONS**

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

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation; or
- the actuarial assumptions have changed.

### **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.

### **ACTUARY**

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

### **AGENCY SERVICES**

Provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

### **AMORTISATION**

The routine decrease in value of an intangible asset, or the process of paying off a debt over time through regular payments. A corresponding concept for tangible assets is known as depreciation. The idea of amortisation is to spread the cost of an asset over the period of its 'useful life'.

## ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current:

- a current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock);
- a non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible, e.g., a community centre, or intangible, e.g., computer software licences.

## ASSET REGISTER

A record of Council assets including land and buildings, housing, infrastructure, vehicles, plant and equipment. This is maintained for capital accounting and property management purposes. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

## AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

## AVAILABLE-FOR-SALE FINANCIAL ASSET

A non-derivative financial asset that is not classified as Loans and Receivables. The asset needs to be immediately available for sale and is valued at the lower of its current carrying value or fair value less costs to dispose. Available-for-Sale financial assets include equity investments and other investments traded in an active market.

## BAD DEBTS

Debts owed to the Council which are considered to be irrecoverable and are written off.

## BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

## 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 Reserve 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 (NDR) in their area. These are district councils, borough councils and unitary authorities.

## BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring interest charges over and above the original principal amount.

## BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

## CAPITAL ADJUSTMENT ACCOUNT

An account that reflects the difference between the cost of non-current assets consumed and the capital financing set aside to pay for them.

## CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## CAPITAL FINANCING REQUIREMENT (CFR)

The CFR is the capital investment funded from borrowing which has yet to be repaid and is the basis for the Minimum Revenue Provision (MRP).

## CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

## CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

## CAPITAL RESERVES

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

## CAPITALISATION

Costs are capitalised to the extent that they create or improve any non-current asset with a useful economic life greater than one year.

## CASH EQUIVALENTS

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

## CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The professional 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.

## COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and Non-Domestic Rates (NDR).

## COMMUNITY ASSETS

Assets that the Council intends to hold forever, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

## CONSISTENCY

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

## CONTINGENT ASSET

A contingent asset is 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 accounts.

## CONTINGENT LIABILITY

A contingent liability is either:

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

## COUNCIL TAX

A local tax, based upon the value of domestic property, set by local authorities in order to meet their budget requirement.

## CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## 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 of the Balance Sheet date.

## CURRENT LIABILITY

An amount which will become payable or could be called in within one year of the Balance Sheet date; examples are creditors and cash overdrawn.

## CURRENT VALUE

The price that would be received from the sale of operational property, plant and equipment assets or paid to transfer a liability based on existing use value in an orderly transaction between market participants at the measurement date.

## DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## DEFINED BENEFIT PENSION SCHEME

A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and salary, and are independent of the contributions payable, and the benefits are unrelated to the performance of the investments of the scheme.

## DEPRECIATED HISTORICAL COST

The valuation of non-current assets at their original cost less depreciation charged to date.

## DEPRECIATED REPLACEMENT COST

Relating to non-current assets, the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property, such as highways and footpaths.

## DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

## 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 Council in exchange for services rendered by employees.

## EXCEPTIONAL ITEM

An item which derives from events or transactions that falls within the ordinary activities of the Council and which needs to be disclosed separately by virtue of its size or incidence to give fair presentation of the accounts from year to year. Such an item will always be explained in a Note to the Statement of 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.

## EXPENDITURE AND FUNDING ANALYSIS

A report which brings together the Council's performance on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA). It also shows how annual expenditure is allocated for decision making purposes between the Council's directorates.

## EXTRAORDINARY ITEMS

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

## FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

## FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Under this type of lease, the organisation paying the lease is treated as if it owns the goods and is required to include such finance leased assets on the Balance Sheet.

## 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

Central 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. Day-to-day transactions are conducted through this account, with the exception of those relating to the Housing Revenue Account (HRA), Collection Fund or any other trust funds held by the Council. The accumulated credit balance on the General Fund is needed as a cushion against unforeseen expenditure.

## GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

## GOVERNMENT GRANTS

Grants made by Central Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

## GROSS EXPENDITURE

The total cost of providing the Council's services before deducting income from Central Government grants, or fees and charges for services.

## HISTORICAL COST

The amount originally paid for a non-current asset.

## HOUSING BENEFITS

A national system of financial assistance to individuals towards meeting certain housing costs administered by local authorities and subsidised by Central Government.

## HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

## IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

## INCOME

The gross inflow of economic benefits or service potential during the financial year 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 belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

## 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 Council carries a substantial amount of self insurance financed from this Reserve.

## INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The international accounting standards that govern the treatment and reporting of income and expenditure under which the Council has compiled its financial statements.

## INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

International Accounting Standards (IAS) adapted to meet public sector requirements.

## INVESTMENT PROPERTY

Land or buildings that are held solely for their investment potential, i.e., to earn rental income or for capital appreciation or both.

## LESSEE

The party that leases an asset that is owned by another party.

## LESSOR

The owner of an asset which is leased to another party.

## LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g., creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## 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 at or close to the carrying amount; or
- traded in an active market.

## LOANS AND RECEIVABLES

Financial assets with fixed or determinable payments and are not quoted in an 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 fund either future capital expenditure or the repayment of borrowing.

## MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the Statement of Accounts.

## MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

## NET ASSETS

The amount by which assets exceed liabilities (same as 'net worth').

## NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

## NET PRESENT VALUE (NPV)

The difference between the present value of cash inflows and the present value of cash outflows (including initial cost) over a period of time. NPV is used in capital budgeting to analyse the profitability of a potential investment or project.

## NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

## NET REVENUE EXPENDITURE

Gross expenditure less fees and charges for services and specific grants but before the deduction of revenue support grants and national business rates.

## NET WORTH

The total funds, balances and reserves (both usable and unusable reserves) held by the Council.

## NON-CURRENT ASSETS

An asset that does not meet the definition of a current asset and yields benefit to the Council for a period of more than one year.

## NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services. An example is the extra pension costs caused by early retirement.

## NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by Central Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of itself, Central Government and major preceptors.

## NON-OPERATIONAL ASSETS

Tangible non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirement pending sale or redevelopment.

## OPERATING ACTIVITIES

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

## OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor. An operating lease is commonly used to acquire equipment on a relatively short-term basis and the lease term is short compared to the useful life of the asset or piece of equipment being leased.

## OPERATIONAL ASSETS

Non-current assets held and occupied, used or consumed by the Council in the pursuit of its strategy and 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 is normally at the same level as the pensions liability carried on the top half of the Balance Sheet.

## POOLED BUDGET

Partners contribute a set amount of money to form a separate budget. The purpose and scope of the budget is agreed at the outset and then used to pay for relevant services and activities.

## 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 levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

## PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e., do not collect Council Tax) precept upon the billing authority, who then collect on their behalf – Bedfordshire Police Authority, Bedfordshire Fire & Rescue Service and the Parishes that precept upon Central Bedfordshire Council.

## PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## 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, and operates and maintains that property for a specified period of time. The private sector operator is paid for its services over the period of the arrangement, which is typically 25 years.

## 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 for longer than a single financial year.

## PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

## QUALIFIED VALUER

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

## RECEIPT IN ADVANCE

Receipt that will be matched to expenditure in a future financial year.

## RELATED PARTIES

For the Council's purposes, related parties are deemed to include the Council's Members, the Chief Executive, its Directors and their close family and household members. These are considered to have the potential to control or significantly influence the Council.

## RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

## RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Capital Adjustment Account cannot be used to meet current expenditure.

## RESIDUAL LIFE

The assumed remaining life of a non-current asset used in calculating the depreciation charge.

## RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

## REVALUATION RESERVE

This records unrealised net gains from asset revaluations since 1 April 2007.

## REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)

The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Funding (DRF).

## REVENUE EXPENDITURE

The day-to-day expenses of providing services, e.g., salaries, wages, materials, supplies and services.

## REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

## REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

## 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 Finance 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.

## SLIPPAGE

A delay in the progress of a capital scheme from the start date and payment flows originally allowed for in the approved Capital Programme.

## STOCKS

Items of raw materials and stores the Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

## TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

## 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 either fund new capital expenditure or repay any outstanding debt on fixed assets.

## USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will benefit from the use of a non-current asset.

## 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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