BEDFORD
BOROUGH COUNCIL

Statement of Accounts 2018/2019

Final Version December 2019

Chief Executive

Contents

Narrative Report

(a) Introduction

2018/2019 has been another challenging year for Bedford Borough Council with increasing demand for services at the same time as budgets being constrained. As in previous years the Council has carefully managed its financial affairs with robust financial controls ensuring that services were delivered within the resources allocated.

The Council is in good financial health in terms of its financial performance and has strong financial management arrangements in place which enabled the Council to take investment decisions during the year, and deliver an underspend on the revenue budget.

Revenue Outturn Position

The revenue outturn for 2018/2019 for Bedford Borough Council shows an overall net underspend of £0.800 million. The outturn reflects all expenditure incurred and income due and relevant year end accounting entries, including transfers to and from reserves. The table below sets out the revenue outturn position for each Directorate, as reported to **Executive on 26 June 2019.** This compares to a net revenue underspend in 2017/2018 of £1.818 million.

Revenue 2018/2019 Outturn Directorate	Net Budget £million	Net Outturn £million	Net Variance £million
Adult Services	51.633	49.841	(1.792)
Childrens Services	30.055	30.281	0.226
Chief Executive's	21.527	23.621	2.095
Environment & Sustainable Communities	24.664	25.658	0.994
Operational Net Cost	**127.879**	**129.402**	**1.523**
Capital Financing	3.967	4.010	0.042
Contingency	0.438	0	(0.438)
Corporate Budgets	(1.646)	(3.573)	(1.927)
Total Revenue Outturn	**130.638**	**129.838**	**(0.800)**
% of Total Net Budget			**-0.61%**

The net operational costs of the Council accounts for £127.879 million representing 98% of the Council's overall net budget. These budgets are primarily the day to day spending / service areas of the Council. The provisional outturn for operational services areas is £129.402 million representing an overspend of £1.523 million.

Non Operational budgets were underspent by £2.323 million. These amounts are subject to further adjustments that may arise following the completion of the financial statements closure and audit process.

The final budget for 2018/2019 was funded through Council Tax (including Council Tax surplus) of £87.985 million, retained business rates of £32.452 million and Formula Grant of £10.201 million.

In determining the 2018/2019 revenue budget, the Council ensured regard to its ongoing sustainability and the observance of a number of overarching principles. This involved:

(i) An overall commitment to endeavour to increase annual income sources and reduce annual expenditure without materially reducing front line services provided by the Council;

(ii) A preparedness to consult service users and providers to ensure that services can be remodelled and tailored within acceptable tolerances;
(iii) A comprehensive review of the base budget to provide greater assurance for the future. The review has been based upon regular established monitoring processes, and has incorporated a review of the alignment between the original budget and service activity;
(iv) The identification of service pressures (such as Adult Social Care, and the National Living Wage) and endeavours to make adequate provision in the 2018/2019 base budget;
(v) The continued review and control of the capital programme given the impact of borrowing.

When the Council considers each revenue service and function budget, endeavours are made to identify potential risks. Inevitably, during the year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council's budgeted income. The budget process identified a number of service specific risks relating to the range of Borough Services and related budgets.

The monitoring procedures are predominantly guided by the risk based approach that also incorporates performance and demand led analysis to complement and provide additional context to the financial monitoring position. The Executive has also been kept informed of the budgetary position for both Revenue and Capital budgets through the regular Tends Reports. The Council reports the budget monitoring to its Executive on a quarterly basis throughout the year.

In order to deliver the necessary assurance and challenge of the 2018/2019 revenue budget monitoring position the Council undertook regular monthly monitoring meetings with Directors and Portfolio Holders. The objective being to ensure timely action has been taken to avoid potential overspends where possible.

(b) General Fund

It is best practice to ascertain, on an annual basis, a risk assessed level of the General Fund. The Risk Assessment methodology has been reviewed to ensure that the recommended level of the General Fund Balance is appropriate and reflects the key issues facing the Council.

The methodology adopted by the authority takes into account past experience of budget pressures, demographic pressures, legislative impacts and the extent to which some services are reliant on external funding and the potential impact that these areas could have on the budget. The Risk Assessment undertaken by the authority consequently determined that the optimum General Fund balance as being within the range of £10.370 million to £14.030 million.

A further review will need to be undertaken during 2019/2020 to consider whether the current balance is sufficient to manage the financial risks going forward given the significant changes to local government funding including the proposed introduction of 75% business rates and the Council's longer term transformation programme.

(c) Earmarked Reserves

A review of current reserve requirements and known commitments against the Council's policies took place as part of the 2019/2020 General Fund Budget setting process.

(d) Capital Outturn

The capital outturn position in relation to the 2018/2019 Capital Programme is set out in the table below. This identifies a net underspend for the year amounting to £1.226 million resulting from a gross underspend on expenditure of £5.752 million and an under achievement on capital resources of £4.526 million.

Capital 2018/2019 Outturn Directorate	Net Budget £million	Net Outturn £million	Net Variance £million	Capital Carry-forward £million
Gross Expenditure				
Enabling	14.975	12.938	(2.037)	1.947
Law and Corporate Governance	0	0.001	0.001	0
Customer	2.339	1.883	(0.456)	0.456
Children's Services	25.395	25.176	(0.219)	0.744
Environmental Services	17.884	14.869	(3.015)	3.391
Externally Managed	0.026	0	(0.026)	0
Total Gross Expenditure	**60.619**	**54.867**	**(5.752)**	**6.538**
Net Expenditure				
Enabling	9.732	8.408	(1.324)	1.142
Law and Corporate Governance	0	0.001	0.001	0
Customer	0	0.695	0.695	(0.695)
Children's Services	(7.665)	-7.736	(0.071)	(0.074)
Environmental Services	3.318	2.791	(0.527)	0.487
Externally Managed	0	0	0	0
Net Expenditure Total	**5.385**	**4.159**	**(1.226)**	**1.008**

The value of capital budgets carried forward to future years totals £1.008 million which in addition to the existing capital programme provides for a total investment of £159 million over the life of the programme. Due to the nature of capital schemes it is not unusual to have projects delayed and, therefore, the re-profiling of schemes into future years does occur as the programme is subject to regular review. Scheme budgets are subject to challenge during the year, with Directorates and Portfolio Holders to assess the current need for funding and to ensure that critical schemes are re-profiled accordingly. The outcome of these reviews is reported to the Executive for consideration as an integral part of the capital programme review process.

Capital can be funded from a number of sources, including capital grants, contributions from external parties and revenue budgets, capital receipts and borrowing. The capital receipts received in year were lower by £5.300 million than reported to Executive in January 2019. The majority of this is due to slippage of Bedford Commercial Park Plot 4 and 5. This, together with programme slippage resulted in less borrowing being undertaken.

A breakdown of the Council's financing of the capital programme is shown in **Note 37** which shows expenditure on a gross expenditure basis.

(e) International Financial Reporting Standards (IFRS)

The Council is required to report its Statement of Accounts using International Financial Reporting Standards (IFRS) that follow a prescribed layout which is different from that reported during the year, and discussed in Section B shown above. **<u>The Expenditure and</u>**

Funding Analysis sets out these differences.

Due to various statutory instruments the Council is required to charge amounts to council tax payers (via the General Fund), and exclude others. For example, the **Comprehensive Income and Expenditure Statement (CIES)** follows a prescribed format on where and how spend should be reported. This statement also includes a number of technical accounting entries (such as depreciation, pension fund adjustments, that are subsequently reversed out in the **Movement in Reserves Statement**.

(f) Highlight Commentary on Core Statements and Notes to the Accounts

Expenditure and Funding Analysis [Page 15]

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis 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.

This shows net expenditure chargeable to the Council's General Fund is £1.520 million (a surplus of £1.018 million on the General Fund Reserve with £0.503 million added to earmarked reserves). This differs from the income and expenditure shown in the CIES by £20.843 million. This difference comprises a number of technical accounting adjustments which the Council is required to make, including capital charges such as depreciation, actuarial pensions adjustments and adjustments to the Collection Fund. A reconciliation of these adjustments is shown in **Note 7**.

Movement in Reserves Statement (MIRS) [Page 17]

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie 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 for the year.

During 2018/2019 Usable Reserves, which are cash backed and readily available to support services, fell by £2.085 million across Revenue, Capital and Schools.

In addition to this, Unusable Reserves increased by £35,128 million during the financial year. This increase was a mainly as a result of adjustments between accounting and funding basis under regulations. Movements in Unusable Reserves have no immediate impact on the current resources available to the Council, but can illustrate potential long term underlying financial resourcing position.

Comprehensive Income and Expenditure Statement (CIES) [Page 16]

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 statutory requirements; 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.

The Comprehensive Income and Expenditure Statement demonstrates how the Council's reserves have increased by £33.042 million during the 2018/2019 financial year. The majority of the rise in Unusable Reserves is due to adjustments between accounting and funding basis. These are primarily deferred capital receipts as a payment for Wootton from the developer is unwound over five years and in the capital adjustment account where expenditure exceeded funding. Further details are enclosed within **Note 25** on the deferred capital receipt and **Note 25** on the capital adjustment account.

The negative movement posted to Unusable Reserves is enhanced further by a surplus of £19,322 million in the provision of services for the 2018/2019 financial year. The surplus generated is the equivalent figure to the outturn a private sector organisation would show in their published Statement of Accounts. This position is then amended by statutory adjustments to create the net balance funded by Council Tax for 2018/2019. The statutory adjustments are detailed within **Note 9**.

<u>Balance Sheet</u> [Page 19]

The Balance Sheet summarises an authority's financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As local authorities do not have equity, the bottom half is comprised of reserves that show the disposition of an authority's net worth, falling into two categories (Usable & Unsuable Reserves).

The Balance Sheet reiterates the upward movement in Total Reserves of £33,042 million to a closing position as at 31 March 2019 of £268,660 million. This movement creates a corresponding increase in the Net Assets held by the Council at 31 March 2019. The increase in Property, Plant and Equipment of £27.870 million is the most significant change in the Council's Net Assets. This is mainly due to capital expenditure incurred and upward revaluations.

Throughout 2018/2019 long term assets have increased by £38.629 million. At the same time long term liabilities have increased by £5.813 million and current liabilities have increased by £2.000 million.

Investment Property have increased in value by £4.584 million following upward revaluations and development works carried out. Long term investments have risen by £8.925 million reflecting the treasury management strategy to increase investments in pooled funds. Conversely Cash and cash equivalents have fallen by £4.324 million, and short term investments have fallen by £1.542 million. Long term debtors have reduced by £4.828 million, while short term debtors have increase by £7.151 million. See **Note 16, Notes 18 and 20** for more details.

<u>Cash Flow Statement</u> [Page 20]

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

This statement essentially restates the Comprehensive Income & Expenditure Statement for cash items only, stripping out accruals and other items such as depreciation and pension fund charges. The 2018/2019 cash flow statement reiterates the reduction in the balance of cash and cash equivalents shown in the Balance Sheet. The movement is broken down into operating, investing and financing cash flows within **Notes 26, 27 and 28**.

The detailed notes highlight operational cash flows are positive. It also highlights the significant financing of capital expenditure by Council Tax through Direct Revenue Financing and Minimum Revenue Provision.

Financing and investing net cash inflows also helped create an increased overall balance across cash and cash equivalents long term investments and short term investments.

Collection Fund Statement [Page 99]

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.

This statement represents the transactions of the Collection Fund, which is a statutory fund under the provisions of the Local Government Finance Acts 1988, 1992 and 2012. The fund covers all Council Tax and National Non-Domestic Rates collection in the Borough. The fund is accounted for as an agency arrangement with the Council Tax balances belonging to the billing authority and the major preceptors, and the Non-Domestic Rates balances belonging to the billing authority, Government and Fire Authority.

Council Tax collection currently holds a deficit position of £1.675 million as at 31 March 2019, compared to a deficit of £2.588 million at 31 March 2018. The deficit will be allocated out to the precepting bodies during 2019/2020.

National Non-Domestic Rates (NNDR) collection shows a deficit of £1.169 million as at 31 March 2019 after allowing for a prudent provision for appeals and uncollectable debts. An estimated deficit of £0.923 million for 2018/19 was taken into account when determining the rates yield for each body for 2019/20. The additional deficit of £0.246 million, which accrued after the 2019/20 yield was determined, will be taken into account when estimating the 2020/21 rates yield.

Bedfordshire Pension Fund Statement [Page 102]

Bedford Borough Council is the Administering Authority for Bedfordshire Pension Fund. Therefore, Bedfordshire Pension Fund's Statement of Accounts, including supporting disclosure notes, are required to be incorporated into the Bedford Borough Council's Statement of Accounts.

The Fund looks after the current and future pension entitlements on behalf of 173 employers including the three Unitary Councils (Bedford Borough Council, Central Bedfordshire Council and Luton Borough Council), and a number of other universities, colleges, academies and service providers.

The accounts show the Net Asset Statement and the Fund Account (equivalent to the Income and Expenditure Account) of the Pension Fund. The Accounts do not include the Fund's long term liabilities. The Pension Fund's assets at 31 March 2019 stood at £2,299 million (£2,175 million 31 March 2018) an increase of £124 million (6.0%) on the previous year, as explained in the Fund Account.

Annual Governance Statement [Page 135]

A statement of the governance responsibilities and controls in place within the Council.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016. This statement explains how Bedford has complied with the code and also how we meet the requirements of the Accounts and Audit (England) Regulations 2015.
The Code of Governance sets out the principles of good governance and describes the arrangements the Council has put in place to meet each of these principles:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
B. Ensuring openness and comprehensive stakeholder engagement;
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
F. Managing risks and performance through robust internal control and strong public financial management;
G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

(g) Non-Financial Performance

Introduction

All services use data, business intelligence and performance measures to support the provision and development of services, this includes customer feedback provided through the Council's consultation, complaints and community engagement processes.

Corporate Plan

The Council's current Corporate Plan covers the period 2017-2021 and is subtitled *'Bedford Borough, the place to grow'*. The Plan was developed as part of the Council's wider transformation programme (BB2020) and digital operating model (DOM) in particular and was agreed by Full Council on 1 February 2017.

Bedford Borough, the place to grow is our plan for growth. Councils face growing demand in the coming years for services and acute cost pressures, while at the same time needing to deliver good local services, increased value for money and strong leadership. This will require enabling clear choices about how we:

- increasingly focus on strategic priorities related to our goals;
- continue to deliver on our obligations and requirements as a local authority;
- stop doing things if others can do them just as well without the need for Council funding;
- minimise the resources, in the wider sense, required to operate the Council;
- maximise the resources, in the wider sense, available to the Borough; and
- build an operating model – a way of organising and working across the Council – that is fit for the future.

Four goals guide our approach, each focussed on enhancing Bedford Borough as a place where people, communities and businesses can grow and realise their potential. Getting this right will require tailored council services to meet needs of local people and businesses, but these must be delivered alongside the things that every local council has to do. What is different is that we will minimise the time and resources spent on activities that others could do better or for less than us, or where the activity is no longer needed, so that we can focus on our priorities and shape the future of a thriving Bedford Borough. These goals are to:

- **Support people** - We believe that vulnerable people of all ages should be treated as we would expect to be treated ourselves, and that means with respect and dignity. Our role is to reduce risks, support those in crisis, safeguard where necessary and help to maintain independence wherever possible;

- **Enhance places** - We believe that the quality of place matters to how people feel about Bedford Borough in their daily lives. Our role is to enhance the local areas we are responsible for, ensure others manage their spaces and places properly and to encourage positive activities;
- **Create wealth** - We believe that economic growth depends on a thriving local economy that benefits everyone. We will actively contribute by facilitating the development of the environment, infrastructure and skills that enable people to benefit from local and regional business growth; and
- **Empower communities** - We recognise that social growth requires individuals, communities and associations to come together to identify the assets that they have and work together to generate solutions to common problems.

Supporting the Corporate Plan is a clear performance management reporting framework which will provide an overview of how the Council is performing for residents and businesses. Over the course of the Plan the aim is to work toward more real time information and an understanding of the underlying trends.

The key measures that underpin the Corporate Plan and support day-to-day business take into account the following factors around what makes a good indicator:

- Clearly linked to the strategy enabling an assessment about whether it is likely to succeed;
- Clear definition and articulation so what is being measured and what is good performance is easily understandable;
- Clarity on why the measure matters in terms of progress toward a specific strategic objective;
- Recognition that perception is important as it tracks how people feel regardless of the underlying performance;
- Trends are as valuable as absolutes indicating the direction of travel as an indication of the progress being made and assessment of the forward look;
- Measures may evolve over time - as a living plan we should expect the key measures to change as we progress; and
- Measures may be outside the control of the Council - for example relating to the performance of an overall system where we are dependent on working with others

Performance Management Arrangements

The Council (members and officers) monitor key performance indicators on a regular basis (including through various fora such as Executive, Performance Clinics, Overview & Scrutiny Committees, Health and Wellbeing Board). We use performance management to improve services for local communities. Members and officers use this process to drive continuous improvement to help increase efficiency. Performance management is also used to ensure policy decisions are being implemented and that customers are receiving the standard of service they expect at a cost that represents good value for money.

Bedford Borough Council follows the sector-led approach in order to deliver effective performance management and accountability and therefore our emphasis is primarily focused on outcomes. As part of our transformation programme we are currently in the process of developing business intelligence dashboards which aim to transform data from many sources into insight and will ultimately incorporate predictive analytics to better understand the impact of policy on service planning.

The Council places a high emphasis on ensuring that we have robust systems for collecting performance information and to ensure that these systems meet data quality standards; these standards are important for the quality of Council decision-making and for sharing information with residents, service users, local partners, and other local authorities. We are aware that poor data quality compromises the information available to decision makers, and compromises the quality of the decisions they make.

Bedford Borough Council's approach to performance management is designed to be transparent, rigorous and consistent to actively support the delivery and improvement of services and efficiency. The success of this approach to performance management is demonstrated through the improvements in services and outcomes for the people of Bedford Borough within the confines of the reducing resources and service pressures we continue to face.

Summary Performance Information from 2018/2019

A summary of the Key Performance Indicators for 2017/2018 & 2018/2019 is set out below:

	% Key Indicators for 2017/18				**% Key Indicators for 2018/19**			
RAG	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Green	64	66	63	63	66	67	63	66
Amber	17	20	24	27	21	21	23	23
Red	19	14	13	10	13	12	14	11
Green & Amber	81	86	87	90	87	88	86	89

For 2018/2019, 89% (185 out of 208) of our key performance indicators rated as either 'Green' or 'Amber'. This is in line with last year's (2017/2018) outturn and as such, we have sustained performance at the high levels achieved previously.

Key performance highlights (for 2018/19) include:

Successes

- The % of children looked after whose cases were reviewed to timescale remained at 100%;
- Supporting 2167 people to live independently through social services enablement which was achieved against ongoing significant challenges across social care;
- Achieving independence for older people through rehabilitation / intermediate care was well above target at year-end with 96.3%;
- Permanent admissions (age 65+) to residential and nursing care homes was 163 (provisional), this is a significant improvement compared to 2017/18 when it was 216 (a 25% improvement);
- Attainment 8 (Average attainment 8 Grade/Score across 8 qualifying subjects) was 45.8 which was above the all England figure and in line with the statistical neighbour's average;
- Nearly all fly tips 99.46% or 2,200 out of 2,212 were removed within 24 hours;
- Nearly all waste (99.94%) was collected as expected, this was achieved despite ongoing staffing pressures;
- Council Tax and Business Rates collections at 97.6% and 99.0% both met / exceeded the targets respectively.

In addition to service performance we also collect and report on a number of 'perception' based measures. During 2018/2019 these included:

- For 2018/19 - 98% of people contacting our Customer Contact Centre were satisfied with the service they received (maintaining the previous year's high performance);
- The percentage of investigations relating to complaints received that were responded to within published complaint timescales improved to 94.6%.

Challenges

- Stopping smoking – The number of quitters at 4 weeks and the number of smoking quitters from the 20% most deprived areas. The introduction of a new flexible delivery is anticipated to improve access to these services.
- NHS Health Checks delivered to eligible population aged 40-74 years against local target. The adverse performance was due to software issues, which have now been resolved.
- The percentage of Single Assessments completed in less than 45 working days. This was red based on a target of 80% and outturn of 69.9%. An intervention plan has been implemented and we expect to see some improvement from quarter 2 of 2019/20.
- Leisure Fusion Lifestyle indicator for the number of visits from the 20% most deprived areas. An improvement plan has been implemented which will be a key driver to improve participation within the most deprived areas of the Borough.
- Key Stage 2 (Reading, Writing and Maths) - outcomes for 2017/18 were very challenging, despite the investment of additional DfE resources by the School Improvement Team. The Team also maintained rigorous challenge, offered support and guidance and intervention as necessary. The final outturn was 48% (971/2023) of children working to at least at the expected standard. The overall outturn for the 2017/18 academic year was impacted by one school having their test results annulled. This means that the school's children were included in the overall cohort but not recorded as achieving the expected standard therefore having a negative impact on the overall local authority figures.

Overall, taking into consideration the challenging but realistic targets that have been set, we are pleased that in the current financial climate and period of considerable change, we have managed to sustain a strong performance against our strategic objectives.

Future Prospects

Bedford Borough, the place to grow 2017-2021 is the Council's Corporate Plan which sets out the Council's vision and priorities. The Plan has four key Goals which are our focus for the coming years.

Support People
We believe that vulnerable people of all ages should be treated as we would expect to be treated ourselves, and that means with respect and dignity. Our role is to reduce risks, support those in crisis, safeguard where necessary and help to maintain independence wherever possible

Enhance places
We believe that the quality of place matters to how people feel about Bedford Borough in their daily lives. Our role is to enhance the local areas we are responsible for, ensure others manage their spaces and places properly and to encourage positive activities.

Create wealth
We believe that economic growth depends on a thriving local economy that benefits everyone. We will actively contribute by facilitating the development of the environment, infrastructure and skills that enable people to benefit from local and regional business growth.

Empower communities
We recognise that social growth requires individuals, communities and associations to come together to identify the assets that they have and work together to generate solutions to common problems.

The Council continues to face growing demand for services, while at the same time needing to deliver good local services, increased value for money and strong leadership. The Corporate Plan recognises the significant financial and demographic pressures the Council is facing. It is recognised that in order to meet these pressures the authority is required to implement fundamental changes to transform how the Council operates.

The Council is proactively seeking to address future demand and financial pressures to provide resources for the four key objectives. The Council's March 2019 Medium Term Financial Strategy (MTFS) sets out the forecast funding gap for the period up to 2023/2024 which amounts to an estimated £27.5 million. It is clear that the Council will need to continue the transformation of its services in order to bridge this budget gap.

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 secure that one of its officers has the responsibility for the administration of those affairs. At Bedford Borough Council that officer is the Assistant Chief Executive (Enabling Services) & Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Assistant Chief Executive (Enabling Services) & Chief Finance Officer's Responsibilities

The Assistant Chief Executive (Enabling Services) & Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper accounting practices, as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Assistant Chief Executive (Enabling Services) & Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Assistant Chief Executive (Enabling Services) & Chief Finance Officer has also:

- ensured proper accounting records were kept which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification

This statement of accounts presents a true and fair view of the financial position of Bedford Borough Council at 31 March 2019 and income and expenditure for the year ended 31 March 2019.

Signed: AM Watkins.

Date: 11/12/2019.

Andy Watkins, Assistant Chief Executive (Enabling Services) & Chief Finance Officer

Approval

I confirm that the Statement of Accounts was approved by the Audit Committee at its meeting on 26 November 2019.

Signed M Nawaz

Date: 11/12/19

Chair of Audit Committee

Expenditure and Funding Analysis

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

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund Balance	**Adjustments**	**Net Expenditure in the Compre-hensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund Balance**	**Adjustments**	**Net Expenditure in the Compre-hensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
50,293	1,120	51,414	Adults Services	49,321	(167)	49,154
32,420	8,257	40,677	Childrens Services	30,975	4,314	35,289
(6,378)	8,583	2,205	Corporate	(5,015)	8,759	3,743
11,797	1,431	13,228	Customer	11,260	1,184	12,444
4,550	11,016	15,566	Enabling Services	9,835	5,031	14,866
27,243	7,822	35,065	Environment	29,847	6,088	35,935
5,648	458	6,106	Law and Governance	6,127	160	6,288
168	11	179	Public Health	(55)	7	(49)
125,743	**38,697**	**164,440**	**Net Cost of Services**	**132,295**	**25,375**	**157,670**
(128,862)	11,097	(117,765)	Other Income and Expenditure	(130,775)	(46,217)	(176,992)
(3,119)	**49,794**	**46,675**	**Surplus or Deficit on Provision of Services**	**1,520**	**(20,843)**	**(19,322)**
(44,624)			Opening Combined General Fund Balance	(47,744)		
(3,119)			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	1,520		
0			Transfers to/from other Reserves	0		
(47,744)			**Closing Combined General Fund Balance**	**(46,224)**		

The Expenditure and Funding Analysis is not a primary statement but a note to the financial statements, however, it is positioned here as it provides a link from the figures reported in the Strategic Report to the CIES.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; 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.

	2017/18				**2018/19**	
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
75,049	(23,633)	51,414	Adults Services	78,340	(29,185)	49,154
145,344	(104,667)	40,677	Childrens Services	134,914	(99,625)	35,289
4,246	(2,041)	2,205	Corporate	6,417	(2,673)	3,743
65,237	(52,009)	13,228	Customer	59,366	(46,921)	12,444
22,401	(6,835)	15,566	Enabling Services	20,279	(5,413)	14,866
58,847	(23,782)	35,065	Environment	58,194	(22,260)	35,935
8,743	(2,637)	6,106	Law and Governance	8,859	(2,571)	6,288
7,961	(7,782)	179	Public Health	7,324	(7,372)	(49)
387,829	**(223,387)**	**164,440**	**Cost of Services**	**373,692**	**(216,021)**	**157,670**
32,850	0	32,846	Other Operating Expenditure (Note 11)	3,167	0	3,167
23,756	(17,273)	6,483	Financing and Investment Income and Expenditure (Note 12)	22,835	(30,371)	(7,537)
0	(157,098)	(157,098)	Taxation and Non Specific Grant Income (Note 13)	0	(172,622)	(172,622)
444,435	**(397,758)**	**46,675**	**Surplus or Deficit on Provision of Services**	**399,693**	**(419,014)**	**(19,322)**
		(6,672)	Surplus or deficit on revaluation of Property, Plant and Equipment (Note 25a)			(9,959)
		758	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure (Note 25b)			218
		(5,848)	Remeasurement of the net defined benefit liability / asset (Note 41)			(3,979)
		(11,761)	**Other Comprehensive Income and Expenditure**			**(13,720)**
		34,913	**Total Comprehensive Income and Expenditure**			**(33,042)**

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie 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 movements in the year following those adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	(13,876)	(33,868)	(47,744)	0	(9,608)	**(57,353)**	(178,265)	**(235,619)**
Movement in reserves during 2018/19								
Surplus or deficit on the provision of services	(19,322)		(19,322)			**(19,322)**		**(19,322)**
Other Comprehensive Income / Expenditure							(13,720)	**(13,720)**
Total Comprehensive Income and Expenditure	**(19,322)**	**0**	**(19,322)**			**(19,322)**	**(13,720)**	**(33,042)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	20,843		20,843	0	565	**21,408**	(21,408)	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**1,520**	**0**	**1,520**	**0**	**565**	**2,085**	**(35,128)**	**(33,042)**
Transfers to / from Earmarked Reserves (Note 10)	(503)	503	0			**0**	0	**0**
Increase or Decrease in 2018/19	**1,018**	**503**	**1,520**	**0**	**565**	**2,085**	**(35,128)**	**(33,042)**
Balance at 31 March 2019	**(12,859)**	**(33,365)**	**(46,224)**	**0**	**(9,044)**	**(55,268)**	**(213,392)**	**(268,660)**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	(12,058)	(32,567)	(44,625)	(894)	(3,877)	**(49,396)**	(221,137)	**(270,533)**
Movement in reserves during 2017/18								
Surplus or deficit on the provision of services	46,675		46,675			**46,675**		**46,675**
Other Comprehensive Income / Expenditure							(11,761)	**(11,761)**
Total Comprehensive Income and Expenditure	**46,675**	**0**	**46,675**			**46,675**	**(11,761)**	**34,913**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(49,794)		(49,794)	894	(5,732)	**(54,631)**	54,631	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**(3,119)**	**0**	**(3,119)**	**894**	**(5,732)**	**(7,957)**	**42,870**	**34,913**
Transfers to / from Earmarked Reserves (Note 10)	1,301	(1,301)	0			**0**	0	**0**
Increase or Decrease in 2017/18	**(1,818)**	**(1,301)**	**(3,119)**	**894**	**(5,732)**	**(7,957)**	**42,870**	**34,913**
Balance at 31 March 2018	**(13,876)**	**(33,868)**	**(47,744)**	**0**	**(9,608)**	**(57,353)**	**(178,265)**	**(235,619)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 those that the authority is not able to use to provide services. This category of reserves includes reserves Statements 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 2018 £000		Notes	31 March 2019 £000
525,474	Property, Plant and Equipment	14	553,344
6,522	Heritage Assets	15 & 45	6,554
60,084	Investment Property	16	64,668
4,709	Intangible Assets	17	6,754
29,291	Long-Term Investments	18	38,217
11,463	Long-Term Debtors	18	6,635
637,543	**Long Term Assets**		**676,172**
10,500	Current Assets Held for Sale Investment Property	16	11,585
15,606	Short-Term Investments	18	14,065
274	Inventories	19	128
26,830	Short-Term Debtors	20	33,981
17,378	Cash and Cash Equivalents	21	13,054
70,589	**Current Assets**		**72,813**
(3,958)	Short-Term Borrowing	18	(5,934)
(52,036)	Short-Term Creditors	22	(52,580)
(8,422)	Provisions	23	(7,901)
(64,415)	**Current Liabilities**		**(66,415)**
(4,125)	Provisions	23	(4,907)
(70,363)	Long-Term Borrowing	18	(67,132)
(314,149)	Other Long-Term Liabilities	38 & 41	(321,502)
(1,077)	Donated Assets Account	35	(962)
(18,385)	Grants Receipts in Advance - Capital	35	(19,408)
(408,099)	**Long Term Liabilities**		**(413,911)**
235,619	**Net Assets**		**268,660**
(57,353)	Usable Reserves	9, 10 & 24	(55,268)
(178,265)	Unusable Reserves	25	(213,392)
(235,619)	**Total Reserves**		**(268,660)**

I certify that the Balance Sheet represents a true and fair view of the Authority's finanical position as at 31 March 2019. These financial statements replace the unaudited financial statements certified by the s151 officer on 31 May 2019.

Signed: AMWatkin.
Date: 11/12/2019.
Andy Watkins, Assistant Chief Executive (Enabling Services) & Chief Finance Officer

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

2017/18 £000		2018/19 £000
46,672	Net (surplus) or deficit on the provision of services	(19,320)
(94,174)	Adjustment to surplus or deficit on the provision of services for noncash movements	(32,816)
32,171	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	43,318
(15,331)	**Net cash flows from operating activities**	**(8,821)**
254	Net cash flows from investing activities	12,940
3,271	Net cash flows from financing activities	208
(11,805)	**Net (increase) or decrease in cash and cash equivalents**	**4,327**
5,574	Cash and cash equivalents at the beginning of the reporting period	17,381
17,379	**Cash and cash equivalents at the end of the reporting period**	**13,054**

The cash flow movements above are broken down into detail disclosure notes identifying operating, investing and financing activities within **Notes 26, 27 and 28.**

Note 1 - Accounting Policies

A GENERAL

The Statement of Accounts summarises the authority's transactions for the 2018/2019 financial year and its position at the year-end of 31 March 2019. The authority 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 under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

B ACCOUNTING CONCEPTS

In general the accounts are prepared on the basis of historical cost modified by the revaluation of land, buildings, vehicles and plant subject to and in accordance with the fundamental accounting concepts set out below:

Relevance

The accounts are prepared so as to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds.

Reliability

The accounts are prepared on the basis that the financial information contained in them is reliable, i.e. they are free from material error, systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution and prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.

Comparability

The accounts are prepared so as to enable comparison between financial periods as far as possible. To aid comparability the Council has applied its accounting policies consistently both during the year and between years.

Understandability

Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable an explanation has been provided in the glossary of terms.

Materiality

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

Accruals

With the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid.

Going Concern

The accounts are prepared on the basis that the Council will continue to operate in the foreseeable the future.

C 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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. No accrual will be made for flexi leave, maternity leave or sickness, if the amounts are deemed immaterial.
- 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.

D ACQUIRED AND DISCONTINUED OPERATIONS

Income and expenditure directly related to acquired and discontinued operations, when material, are shown separately on the face of the Comprehensive Income and Expenditure Statements (CIES).

E AGENCY AND PRINCIPAL

In presenting income and expenditure, the Council takes a view as to whether the income and expenditure it incurs is on an Agency basis or a Principal basis.

Agency basis is where the Council incurs income and expenditure on behalf of a third party, usually due to statutory rules and regulations. An example is the collection of Council Tax on behalf of the Police & Crime Commissioner for Bedfordshire and the Bedfordshire Fire & Rescue Authority.

Principal basis is where the Council incurs income and expenditure on behalf of a third party, but under contract and where risks and rewards are taken. An example is the provision of social care on behalf of other authorities under a Service Level Agreement.

F 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 investments that mature in 28 days or less 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.

G PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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 payment of a negotiated settlement or the payment of compensation.

Existing provisions are reviewed annually alongside consideration for new provisions. They reflect the best estimate when the accounts are prepared. Provisions are charged as an expense to the appropriate service line in the CIES 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.

Provisions are classified on the Balance Sheet as short term (due to be settled within 12 months of the financial year end) or long term (due to be settled over 12 months of the financial year end). For long term provisions where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The unwinding of the discount due to the passage of time is recognised as interest within Surplus or Deficit on the Provision of services.

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.

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.

H EVENTS AFTER THE BALANCE SHEET DATE

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

- those that provide evidence of conditions that existed at the end of the reporting period. For these, the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period. For these, 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.

I EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council’s financial performance.

J FAIR VALUE MEASUREMENT

The authority measures some of its non-financial assets such as surplus assets and investment properties and majority of its financial instruments 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:

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

The authority 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 authority 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 authority 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 authority'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 authority 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.

K FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI). The Council has no Financial Assets in the category.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Where the value of soft loans is considered immaterial, this guidance is not followed and the amounts recorded in the balance sheet reflect the cash amounts.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. Statutory provisions (ending 31 March 2023) require fair value movements in pooled investment funds to be taken to a separate unusable reserve instead of the General Fund. This is manged by a transfer to or from the usable reserve in the Movement in Reserves Statement.

The fair value measurements of the financial assets are based on the following techniques:

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

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 authority 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.

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

L FINANCIAL GUARANTEES

The Council may give financial guarantees requiring payments to be made to reimburse the holder of a debt if a debtor fails to make a payment when due in accordance with the terms of a contract. Where these guarantees are given they are to be included in the accounts at fair value. Where guarantees are given to unrelated parties, the fair value is the premium received unless that sum does not represent a reliable estimate of the fair value. Where no premium is received the fair value of the guarantee is estimated by assessing the likelihood of the guarantee being called against the likely amount payable.

At 31 March 2019 the Council had given no financial guarantees but may do so in the future.

M 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 CIES until all terms and conditions attached to the grant or contributions have been satisfied.

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

Where capital grants are credited to the CIES, 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 the grant has been used to finance capital expenditure, 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 in the Movement in Reserves Statement.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

N 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) are capitalised (above a de minimis limit of £4,000 for schools and £10,000 for non-schools) when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Intangible Assets are amortised to the relevant service line(s) in the CIES over the economic life of the asset (between 5 and 10 years).

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 revalued 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 CIES. 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 CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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

When Intangible assets are amortised to zero, it will be assumed there is no existing operational use for the asset, unless there is evidence to the contrary. The Gross Book Value and Accumulated Amortisation will be treated as a disposal and removed from the Fixed Asset Register.

O INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has an interest in a wholly owned private housing development company called Benedict Bedford Limited (BBL). The Council's main objective for creating the company is to generate a financial return to the Council by operating a commercial enterprise to develop underutilised and surplus land assets to generate value. A working capital loan was provide by the Council of £50,000 during 2018/19 which was repaid in full as there was no further need for funding. There was no other significant or material activity undertaken by BBL and it did not have any assets or liabilities at 31 March 2019, so Group Accounts have not been prepared.

Trust Funds

The main funds for which the Council acts as sole trustee are listed in **Note 46**. Group Accounts have not been prepared as these interests are not considered material.

P INVENTORIES AND LONG TERM CONTRACTS

Inventories are to be included in the Balance Sheet at the lower of cost and net realisable value. Due to materiality, the cost of inventories is valued at cost price.

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

Q HERITAGE ASSETS

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

Heritage assets are measured at valuation in the balance sheet where practical and material, but are otherwise disclosed by means of narrative. There is no depreciation charged on the heritage assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality.

Civic Regalia and Art Museum artefacts have been valued on the basis of the last insurance valuation.

Statues and Memorials, Heritage Properties (e.g. Bromham Mills, Stevington Windmill) and the Crystal Archive Collection have been valued on the basis of Historic Cost (when previously held as Community Assets).

The Council has not recognised any other Archived assets as it is of the view that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements – this exemption is permitted by the Code.

R INVESTMENT PROPERTY

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

Investment properties held for sale are those where there is a high likelihood of sale within the next year.

Recognition

Expenditure on the acquisition, creation or enhancement of Investment Property is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost or fair value of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Where part of an investment property is replaced (above a de minimis level of £100,000), the cost of the replacement is recognised in the carrying value of the investment property and the carrying amount of those parts that are replaced is derecognised.

Measurement

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length (i.e. market value). Where an Investment Property is held under a lease (i.e. the Council is the lessee), the measurement is based on the lease interest. Properties are not depreciated but are revalued annually according to market conditions at the start of the year (1 April). Where there has been material capital expenditure in excess of £100,000 on an asset a further revaluation is undertaken at the year end (31 March).Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Investment Properties are not permitted to be reclassified as Assets Held for Sale.

An investment property under construction is measured at fair value if the Council is able to measure reliably the fair value of the investment property; otherwise these assets are measured at cost.

Rental Income and Disposals

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

S JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations that involve the use of the assets and resources of the organisations rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with a share of the expenditure it incurs and income it earns from the activity of the operation. The Council accounts for a number of jointly controlled operations which have been entered into with local authorities in the region.

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

T 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

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, known as the 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.

Operating Leases

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

An Investment Property held under an operating lease is accounted for as if it was a finance lease.

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Under transition to IFRS, the Council reclassified a number of operating leases to finance leases. In order to mitigate the impact of this reclassification on council tax, regulations (SI 2010 No. 454) required the Council not to classify the repayment of the principal element as a capital receipt for leases entered into on or before 31 March 2010, but to retain it in the General Fund as income

Operating Leases

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 CIES. 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.

Lease Type Arrangements

Where the Council enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments, the arrangement is accounted for as a lease as detailed above.

U OVERHEADS AND SUPPORT SERVICES

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

V PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised (above a de minimis limit of £4,000 for schools and £10,000 for non-schools) on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The de minimis level for capitalisation, referred to above, is not applicable to a project if it is part of a larger scheme of works which has a combined value exceeding the de minimis.

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 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;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

The valuation of land and buildings is undertaken by professionally qualified valuers.

New capital projects are treated as assets under construction until they are formally handed over to the service as completed and ready for use. Capital expenditure in year is added to the carrying value of the asset until it is next revalued with the exception of material works on assets (£100,000 or over), which will be revalued at the end of the financial year.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Revaluations are completed as at 1 April in the year of valuation and are reviewed for material changes as at the reporting date 31 March. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the appropriate line(s) in the Surplus or Deficit on Provision of Services (up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised) where they arise from the reversal of a revaluation loss previously charged to the Surplus or Deficit on Provision of Services, for the same asset.

Where decreases in value are identified (revaluation loss), 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 Surplus or Deficit on Provision of Services.

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.

When an asset is re-valued (revaluation gain and revaluation loss), any accumulated depreciation and impairment at the date of valuation is eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset.

Revaluation gains and revaluation 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 (MIRS) and posted to the Capital Adjustment Account.

Closed Landfill Site

The Council owns one closed landfill site. The future statutory costs of maintaining this site have been set aside in a provision and capitalised. These costs have then been revalued downwards and charged to the CIES. The revaluation losses are then credited in the MIRS and debited in the Capital Adjustment Account.

The provision will be held at the discounted cash value determined by a relevant PWLB borrowing rate. The unwinding of the discounted provision will create an interest charge being made to the CIES. Any expenditure incurred in the statutory obligations of the site, whether capital or revenue, will be charged to the outstanding provision.

Impairment

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 Surplus or Deficit on Provision of Services.

In exceptional cases where an impairment loss is reversed subsequently on the same asset, the reversal is credited to the relevant service line(s) in the Surplus or Deficit on Provision of Services, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Revaluation gains and impairment 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.

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 (i.e. assets under construction).

Assets are depreciated based on the value and life at the start of the financial year (following any revaluations) on a straight-line basis using the following life periods:

Asset Type	Depreciation Range
Building	Between 0 and 100 years
Land	No Depreciation
Plant, Vehicles and Equipment	Between 5 and 15 years
Highways Infrastructure	30 years
Other Infrastructure	Between 10 and 20 years

Depreciation is recognised in the appropriate lines in the Surplus or Deficit on Provision of Services.

Depreciation is not permitted to have an impact on the General Fund Balance. The depreciation is, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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 in the Balance Sheet.

Residual Value

Residual values are not used as asset values are assumed to be fully consumed over their useful life.

Componentisation

Where an item of Property, Plant and Equipment is of significant value in relation to the overall asset portfolio and has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

The Council applies a de minimis limit (£4 million) below which assets will not be componentised because the asset is not considered significant in relation to the overall value of the Council's asset portfolio. For those assets above this de minimis limit, there will be a separate de minimis to only consider those components that are significant in relation to the total cost of the asset (20% or above of the total cost). These de minimis limits will be assessed on a regular basis so ensure that the levels are appropriate and do not materially affect the depreciation calculation.

Componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure incurred, and revaluations carried out.

Where part of a Property, Plant and Equipment asset is replaced (above a de minimis level of £100,000), the cost of the replacement is recognised in the carrying value of the asset and the carrying amount of those parts that are replaced is derecognised. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

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 revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services on the same asset (up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised). Depreciation is not charged on Assets Held for Sale. Where assets are expected to be sold within 12 months of the end of the financial year they are classified as Current Assets Held for Sale.

Revaluation gains and revaluation 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.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve (disposals of £10,000 or below are treated as revenue). Capital receipts can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow). 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 fixed 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.

Reclassifications to Investment Property

Where Property, Plant and Equipment meet the criteria for Investment Property, the asset is reclassified to Investment Property. The asset is revalued immediately before reclassification to Investment Property with any remaining balance on the Revaluation Reserve is 'frozen' until such time it is reclassified.

Schools

The capital assets of certain schools in the Borough are not owned by the Council and hence it is not probable that the future economic benefits or service potential associated with the asset will flow to the Council. Neither does the Council control the assets and hence there is no service concession or lease type arrangement. As a result, the value of the assets is not included in the Council's Balance Sheet. Those schools not included are: Foundation/Trust, Academy, Voluntary Aided (VA) and Voluntary Controlled (VC) schools (though the playing fields of VA / VC schools are included).

W EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 earned by employees but not taken before the year-end which employees can carry forward into the next financial year. For the accounts, flexi-time and leave accrued during maternity leave and long term sickness are excluded if deemed immaterial.

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 to the Accumulated Absences Account through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. The cost is charged on an accruals basis to the Non Distributed Costs line in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Post-Employment Benefits (Pension Costs)

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered nationally by the Teachers' Pensions Agency
- The NHS Pension Scheme, administered nationally by the NHS Pensions
- The Local Government Pensions Scheme, administered by Bedford Borough Council.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the Teachers' and NHS pension schemes mean that liabilities for these benefits cannot be identified to the Council. These schemes are, therefore, accounted for as if they were defined contributions schemes – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's and Education Services and Public Health lines in the CIES are charged with the employer's contributions payable to their respective pension funds in the year.

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

The liabilities of the Bedfordshire Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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, etc., and projections of estimated earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the indicative rate of return on high quality corporate bonds).

The assets of the Bedfordshire pension fund attributable to the Council are included in the Balance Sheet at their market value:

- quoted securities – market bid price
- unquoted securities – professional valuations
- unitised securities – current bid price quoted by fund manager
- property – current bid price quoted by fund manager

The change in the net pension's liability is analysed into seven components:

(1) current service cost – the increase in liabilities as result of years of service earned this year – allocated in the CIES to the revenue accounts of services for which the employees worked

(2) past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs

(3) net interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the CIES

(4) expected return on plan assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, net of administration costs related to the management of plan assets – credited to the Financing and Investment Income and Expenditure line in the CIES

(5) gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Surplus or Deficit on Provision of Services in the CIES as part of Non Distributed Costs

(6) 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 – debited to the Pension Reserve

(7) contributions paid to the Bedfordshire 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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

X PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, 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.

Y 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 fixed 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 fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. 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 (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Z COUNCIL TAX AND NON-DOMESTIC RATES

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.

AA RESERVES

The Council maintains earmarked reserves to fund future expenditure on specific policy priorities as well as to provide funds to meet various contingency requirements the Council may have to face. The Executive has undertaken a review to ensure they are still required for the purpose set out and that the balance is still appropriate.

Amounts set aside for purposes falling outside of the definition of provisions or contingent liabilities are treated as reserves and transfers to and from them are distinguished from service expenditure.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year and therefore included in the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

BB REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets (e.g. grants to third parties for capital purposes) has been charged as expenditure to the relevant service in the CIES 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 to the Capital Adjustment Account then reverses out the amounts charged, so that there is no impact on the level of council tax.

CC VALUE ADDED TAX (VAT)

VAT payable is included as an expense in the CIES whether of a capital or revenue nature only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is not included as income in the CIES

Note 2 - Accounting Standards Issued, Not Adopted

Paragraph 3.3.2.13 of the 2018/19 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards that may be relevant for additional disclosures that will be required in the 2018/19 and 2019/20 financial statements in respect of accounting changes that are introduced in the 2019/20 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

a) amendments to IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as an investment property.

b) Annual Improvements to IFRS Standards 2014-2016 Cycle

c) IFRIC 22 Foreign Currency Transactions and Advance Consideration. This will have no material impact as the council does not have material foreign currency transactions.

d) IFRIC 23 Uncertainty over Income Tax Treatments relate to taxes on an entity’s income (for example, corporation tax). This is not expected to be relevant to an authority’s single entity financial statements.

e) amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. Compensation.

IFRS16 Leases will require Local Authorities that are lessees to recognise most leases on their balance sheet as right-of use-assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

The amendments or annual improvements are not considered to have a material impact on the financial statements.

Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in the Accounting Policies, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows.

- There continues to be a high degree of uncertainty regarding future levels of funding for local government which may impact on the Council’s Corporate Plan and associated strategies and polices. The Governments four year deal may provide some mitigation of this risk in relation to Revenue Support Grant, however other changes such as the proposed localisation of business rates from 50% to 100% and the accompanying transfer of responsibilities from Central to Local Government brings further risk and greater volatility. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. There is no impact on the going concern assessment.
- The Council maintains a prudent level of reserves to mitigate financial risk and ensure financial stability in the medium term. The General Fund Balance and Transformation Reserves in particular are reviewed at both budget setting and as part of the closure of

accounts to ensure there is financial resilience and sufficient funding to support the Council's Transformation Programme.

- Where there are amounts in dispute with other parties, the Council has accounted for the amount it believes is correct. Where appropriate, a provision is set up to account for doubtful amounts.
- Valuation of property is subject to a number of professional judgements. Valuations are carried out by a qualified valuer, and their assumptions are set out in the Property, Plant and Equipment Note.

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council's Actuaries provide expert advice about the assumptions to be applied.	The effects on the Net Pensions Liability of changes in individual assumptions have been calculated as being: ▪ A decrease in the Discount Rate of 0.1% would increase the employer liability by approximately 1.9% (£13.7 million) ▪ An increase in the salary increase rate of 0.1% would increase the employer liability by approximately 0.2% (£1.8 million) ▪ An increase in the pension increase rate of 0.1% would increase the employer liability by approximately 1.6% (£11.8 million)
Arrears	At 31 March 2019, the Council had a balance of debtors for £33.981 million. A review of significant balances suggested that an impairment of doubtful debts of £4.969 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £4.969 million to set aside as an allowance.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 16 and 18 below.	The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Property Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on maintaining assets, bringing into doubt the useful lives assigned. 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £1.7 million if the useful lives were reduced by one year.
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 and the provision of £5.142 million.

Note 5 - Material Items of Income and Expense

The following material item of income and expense recognised in Net Cost of Services with the surplus or deficit on the provision of services is detailed below.

During 2018/2019, the CIES incurred depreciation impairment charges of £17.447 million (£16.895 million in 2017/2018) and net revaluation loss of £3.521 million (£0.764 million net loss in 2017/2018). However, these have no impact on the General Fund as these are reversed out as required under statutory regulations (see **Note 9**). Other material items of income and expense are disclosed in **Notes 11, 12 and 13**.

Note 6 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Chief Executive (Enabling Services) & Chief Finance Officer on 11 December 2019. This version of the Accounts replaces the unaudited version issued on 31 May 2019. 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, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 - Note to the Expenditure and Funding Analysis

This note reconciles the accounting adjustments column included in the Expenditure and Funding Analysis Statement included at the beginning of the accounts.

	2018/19			
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adults Services	(229)	56	6	(167)
Childrens Services	3,758	151	405	4,314
Corporate	(2,821)	2,491	9,088	8,759
Customer	1,146	36	2	1,184
Enabling Services	587	33	4,411	5,031
Environment	6,655	90	(657)	6,088
Law and Governance	124	27	9	160
Public Health	0	3	4	7
Net Cost of Services	**9,220**	**2,887**	**13,267**	**25,375**
Other Income and Expenditure	(41,103)	7,986	(13,101)	(46,217)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**(31,882)**	**10,873**	**167**	**(20,843)**

	2017/18			
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adults Services	299	820	1	1,120
Childrens Services	6,243	2,193	(180)	8,257
Corporate	(2,690)	910	10,362	8,583
Customer	919	539	(26)	1,431
Enabling Services	6,474	560	3,982	11,016
Environment	6,959	1,482	(620)	7,822
Law and Governance	81	430	(54)	458
Public Health	0	33	(23)	11
Net Cost of Services	**18,285**	**6,969**	**13,443**	**38,697**
Other Income and Expenditure	15,848	8,010	(12,761)	11,097
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**34,133**	**14,979**	**682**	**49,794**

Note 1) Adjustments for Capital Purposes

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

- **Capital charges to Net Cost of Services** – annual charges for depreciation, amortisation and property revaluations as stipulated under generally accepted accounting practices.
- **Revenue Expenditure Funded Capital Under Statute** – revenue expenditure, and associated external funding, funded by capital means charged to the CIES under generally accepted accounting practices.
- **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.

Note 2) 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.

Note 3) Transfers to other income and expenditure

The transfer of income and expenditure included in service management accounts which are designated as Other Comprehensive Income and Expenditure in in accordance with the Code.

- **Other Income and Expenditure** – Parish precepts and payments for levies.
- **Financing Income and Expenditure** – Interest payable, investment income and commercial property income and expenditure.
- **Taxation and non-specific grant income and expenditure** – Council Tax, National Non-Domestic Rates and non-specific government grants.

Note 4) 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 **services** contributions to and from reserves have been transferred out of the CIES and movements in the employees benefits accrual recognised as specified under generally accepted accounting practices in the Code.
- 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 and Income Analysed by Nature

The Council’s expenditure and income is analysed as follows:

2017/18 £0	**Nature of Expenditure or Income**	**2018/19 £0**
(70,789)	Fees, charges and other service income	(75,542)
(12,560)	Interest and investment income	(13,115)
(114,765)	Income from local taxation	(122,348)
(199,645)	Government grants and contributions	(201,899)
131,418	Employee benefits expenses	132,705
1,164	Support service recharge expenditure	1,110
236,292	Other service expenses	219,112
18,135	Depreciation, amortisation and impairment	21,632
21,508	Interest payments	21,968
2,196	Precepts and levies	2,296
33,721	(Gain) or loss on disposal of non-current assets	(5,239)
46,676	**Surplus or Deficit for Year**	**(19,322)**

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 recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

2018/2019	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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)	(10,873)			10,873
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	177			(177)
Council tax and NDR (transfers to or from the Collection Fund)	(95)			95
Pooled Fund Adjustment Account Movement	161			(161)
Holiday pay (transferred to the Accumulated Absences reserve)	(409)			409
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)	9,202		(21,130)	11,928
Total Adjustments to Revenue Resources	(1,837)	0	(21,130)	22,968
Adjustments between Revenue and Capital Resources:				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	8,310	(8,310)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	3,551			(3,551)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	10,820			(10,820)
Total Adjustments between Revenue and Capital Resources	22,681	(8,310)	0	(14,371)
Adjustments to Capital Resources:				
Use of the Capital Receipts Reserve to finance capital expenditure		13,248		(13,248)
Application of capital grants to finance capital expenditure			21,695	(21,695)
Cash payments in relation to deferred capital receipts		(4,938)		4,938
Total Adjustments to Capital Resources	0	8,310	21,695	(30,005)
Total Adjustments	**20,843**	**0**	**565**	**(21,408)**

2017/2018	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
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)	(14,979)			14,979
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	47			(47)
Council tax and NDR (transfers to or from the Collection Fund)	(1,064)			1,064
Holiday pay (transferred to the Accumulated Absences reserve)	323			(323)
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)	(54,643)		(13,158)	67,801
Total Adjustments to Revenue Resources	(70,316)	0	(13,158)	83,474
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	10,845	(10,845)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	3,023			(3,023)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,654			(6,654)
Total Adjustments between Revenue and Capital Resources	20,522	(10,845)	0	(9,677)
Use of the Capital Receipts Reserve to finance capital expenditure		16,755		(16,755)
Application of capital grants to finance capital expenditure			7,426	(7,426)
Cash payments in relation to deferred capital receipts		(5,016)		5,017
Total Adjustments to Capital Resources	0	11,739	7,426	(19,165)
Total Adjustments	**(49,794)**	**894**	**(5,732)**	**54,631**

General Fund Balance - The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of the authority 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.

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.

Note 10 - Transfers to/from Earmarked Reserves

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

	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
General Fund Earmarked Reserves:							
Adult Social Care Development Plan	(324)	0	0	**(324)**	0	0	**(324)**
Apprenticeship Scheme	(154)	0	104	**(50)**	0	49	**(1)**
Bedford Western Bypass	(86)	0	13	**(73)**	0	20	**(53)**
Benefit Subsidy	(300)	0	0	**(300)**	0	0	**(300)**
Better Care Fund	(408)	(69)	0	**(477)**	(1,494)	955	**(1,016)**
Childrens Improvement Plan	(933)	0	532	**(401)**	0	293	**(108)**
Elections	(200)	0	0	**(200)**	0	0	**(200)**
Finance Departmental Training	(100)	0	0	**(100)**	0	0	**(100)**
Financial Investigation Unit	(181)	(30)	13	**(198)**	(14)	20	**(192)**
Insurance & Risk Management Reserve	(3,148)	(152)	2	**(3,298)**	(374)	0	**(3,672)**
IT Infrastructure & Software	(2,130)	(1,653)	1,189	**(2,594)**	(550)	129	**(3,015)**
Local Strategic Partnership	(545)	0	121	**(424)**	0	284	**(140)**
Local Welfare Provision	(470)	0	73	**(397)**	0	103	**(294)**
Members Ward Fund	(1,206)	0	367	**(839)**	(400)	382	**(857)**
Parking Equipment	(155)	0	121	**(34)**	0	0	**(34)**
Plans & Strategies	(144)	(300)	68	**(376)**	(250)	168	**(458)**
Property Development & Disposal	(132)	0	8	**(124)**	0	80	**(44)**
Property Repairs & Renewals	(1,859)	(1,941)	2,192	**(1,608)**	(1,941)	1,916	**(1,633)**
Public Health	(780)	(371)	491	**(660)**	(389)	235	**(814)**
Railway Station Quarter	(200)	0	0	**(200)**	0	0	**(200)**
Rural Grants	(395)	0	22	**(373)**	0	9	**(364)**
Schools 2 Tier Project	(390)	0	153	**(237)**	0	38	**(199)**
Social Work Academy	(1,008)	0	390	**(618)**	0	376	**(242)**
Supporting People	(275)	0	8	**(267)**	0	70	**(197)**
Town Centre Decongestion	(97)	0	73	**(24)**	0	0	**(24)**
Transformation Reserve	(4,497)	(3,200)	700	**(6,997)**	(53)	544	**(6,506)**
Troubled Families	(373)	(48)	43	**(378)**	(75)	0	**(453)**
Reserves Supporting Capital	(3,741)	(194)	1,175	**(2,760)**	(4,752)	3,274	**(4,238)**
Vehicles & Plant	(2,577)	(1,616)	934	**(3,259)**	(2,207)	3,671	**(1,795)**
Waste & Recycling	(26)	0	11	**(15)**	(18)	18	**(15)**
Other Service Reserves	(1,473)	(602)	376	**(1,699)**	(398)	976	**(1,121)**
Schools Reserves	(3,857)	(1,940)	3,454	**(2,343)**	(1,615)	994	**(2,964)**
Average Speed Cameras	0	(525)	0	**(525)**	(350)	875	**0**
Highways Capital Expenditure	0	(1,000)	0	**(1,000)**	0	1,000	**0**
Houses in Muliple Occupation (HMO) Article 4	0	(100)	0	**(100)**	0	0	**(100)**
Capital Contingency	(122)	0	0	**(122)**	(82)	204	**0**
IFRS Restatements	(97)	(29)	0	**(126)**	0	5	**(121)**
Property Holding Costs	(117)	0	0	**(117)**	0	72	**(45)**
Property Level Protection	0	(103)	0	**(103)**	0	41	**(62)**
Street Pride Improvement Fund	(68)	(129)	68	**(129)**	(12)	0	**(141)**
EU Exit Funding Reserve	0	0	0	**0**	(105)	0	**(105)**
Rough Sleeping	0	0	0	**0**	(100)	0	**(100)**
Sleep Ins	0	0	0	**0**	(1,120)	0	**(1,120)**
Total Earmarked Reserves	**(32,567)**	**(14,002)**	**12,701**	**(33,868)**	**(16,299)**	**16,801**	**(33,366)**

A brief description of reserves with a closing balance of £100,000 or more is included below:

- **Adult Social Care Development Plan** – to address the increasing demand in adult social care and mitigate further pressures, including developing the workforce to reduce agency staff, promoting independence, managing the supply chain, integration with health and replacing the care management system.
- **Benefits Subsidy** – To provide for amendments to the subsidy claim following external scrutiny.
- **Better Care Fund** – Funding allocated to the Council as part of the Better Care Fund agreement not utilised and carried forward to be spent in the next financial year.
- **Children's Improvement Plan** – resource to support implementation of the Children's Improvement Plan.
- **Elections** – Funding for elections and removes the need for an annual revenue base budget.
- **EU Exit Funding Reserve** – Government grant received 2018/2019 for costs associated with exiting the EU.
- **Finance Departmental Training** – This reserve has been established for financial training for all services of the Council.
- **Financial Investigation Unit** – This reserve continues to fund financial investigation cases, and will be maintained from proceeds of successful prosecutions.
- **Houses in Multiple Occupation (HMO) Article 4** – Funding to be utilised in gathering the evidence base necessary to consider the matter of issuing an Article 4 Direction which would require that planning permission was required to convert a property.
- **IFRS Restatements** - Holds provision for NPC adjustment for Insurance Provision.
- **Insurance & Risk Management** – This reserve is available to cover unexpected claims, including a top-up of the provision should that prove necessary.
- **IT Infrastructure & Software** – This reserve covers the replacement cost of Council equipment.
- **Local Strategic Partnership** – Monies held by the Council as accountable body for the partnership.
- **Local Welfare Provision** – carry forward of grant funding to provide for welfare payments.
- **Member's Ward Fund** – This protects the unspent balance in order to continue to fund committed projects into future years and continues the service for a further two years.
- **Plans & Strategies** – Periodic refresh of plans and strategies (such as the Local Development Framework, Local Economic Assessment, etc.).
- **Property Repairs & Renewals** - This reserve covers funding for all committed and outstanding work on the Council's property portfolio (which has been identified through annual planned maintenance programmes) and any emergency or reactive expenditure that has not been pre-planned.
- **Public Health** – contains the funding of the strategic reserve which is ring-fenced for public health activity and an operational reserve which is shared with Central Bedfordshire Council.
- **Railway Station Quarter** – Reserve to fund future capital investment in the redevelopment of the Railway Station Quarter and software.
- **Rough Sleeping Reserve** - To fund the provision of overnight beds
- **Rural Grants** – assisting rural organisations to provide a wide-range of new and improved facilities to rural communities.
- **Schools Two Tier Project** – Revenue costs to support the schools structure conversion to a two tier educational system.
- **Sleep Ins** – adult social care sleep in shift allowance.
- **Street Pride Improvement Fund** - This reserve provides for one-off funding (revenue or capital), to enable members to identify improvements in their wards.

- **Social Work Academy** – an investment in the development of Newly Qualified Social Workers through to becoming experienced social workers to improve recruitment and retention.
- **Supporting People** – Carry forward of underspend to alleviate several commitments in future years, with a falling reserve balance during the period of contract negotiation.
- **Town Centre Decongestion** – Improvements to road layouts in the town centre. This initial funding is for preparatory works.
- **Transformation Reserve** – To invest in resource capacity, project management skills, IT solutions and training to enable transformation proposals to be further evaluated.
- **Troubled Families** – A new Reserve for the carry forward of unspent Trouble Families Grant. The funding supports a number of fixed term posts to work with partner organisations in supporting families in line with the purpose of the grant.
- **Reserves Supporting Capital** – Revenue funding for future capital projects.
- **Vehicle & Plant** – This reserve covers the replacement cost of Council equipment, vehicles and plant where lease finance is either unavailable or inappropriate.
- **Other Service Reserves** – This reserve is the accumulation of all reserves not shown separately.
- **Schools Reserves** – Balances of funds transferred to schools through the dedicated schools grant.

Note 11 - Other Operating Expenditure

Other Operating Expenditure includes corporate costs to the Authority which are not allocated to specific service lines within the Net Cost of Services. Gains / losses on the Disposal of Non-Current Assets include disposal of school land and building due to their change of status. This year there were no significant disposals.

2017/18 £000		2018/19 £000
1,562	Precepts	1,652
634	Levies	644
30,654	Gains/losses on the Disposal of Non-Current Assets	871
32,850	**Total Other Operating Expenditure**	**3,167**

Note 12 - Financing and Investment Income and Expenditure

Financing and investment income and expenditure includes corporate income and expenditure associated with capital financing, investment properties and pension IAS19 adjustments.

2017/18 £000		2018/19 £000
3,430	Interest payable and similar charges	3,415
8,010	Net interest on the net defined benefit liability (asset)	7,986
(2,492)	Interest receivable and similar income	(2,548)
(2,466)	Income and expenditure in relation to investment properties and changes in their fair value	(16,390)
6,482	**Total**	**(7,537)**

Note 13 - Taxation and Non-Specific Grant Income

Taxation and Non Specific Grant Income note incorporates all non-service specific financing sources including, Council Tax, National Non-Domestic Rates, Revenue Support Grant, Non-service specific grants and Capital Grants recognised during the financial year. For more information on the figures quoted please refer to Note 35.

2017/18 £000		2018/19 £000
(84,035)	Council tax income	(88,867)
(30,730)	Non-domestic rates income and expenditure	(33,481)
(25,941)	Non-ringfenced government grants	(20,283)
(16,392)	Capital grants and contributions	(29,992)
(157,098)	**Total**	**(172,622)**

- Council Tax has increased by £4.832 million (5.7%) due to two contributing factors. The continuing increase in the Council Tax Base and an increase in Council Tax across all precept authorities as referenced in the **Collection Fund** Note.
- Non-domestic rates increase of £2.751 million.
- Non-specific government grants reduced by £5.658 million between financial years, primarily driven by a reduction in Revenue Support Grant.
- Capital grants and contributions recognised during the year remained at a high level to support the ongoing Capital Programme.

Note 14 - Property, Plant and Equipment

Movements to 31 March 2019

	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
Cost or Valuation							
at 1 April 2018	330,862	45,568	222,847	5,612	1,443	3,739	**610,071**
Adjustments to cost/value & depreciation/impairment	(3,884)	0	0	0	(58)	0	**(3,942)**
Additions	14,988	6,535	10,357	95	233	7,832	**40,040**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,943	0	0	0	16	0	**9,959**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,647)	0	0	0	125	0	**(3,521)**
Derecognition – other	(368)	(3,424)	0	0	0	0	**(3,792)**
Reclassifications and transfer	(657)	657	0	0	0	69	**69**
Other movements in Cost or Valuation	441	469	602	253	0	-1,723	**42**
at 31 March 2019	**347,678**	**49,804**	**233,806**	**5,960**	**1,759**	**9,918**	**648,925**
Accumulated Depreciation and Impairment							
at 1 April 2018	(7,461)	(16,789)	(60,309)	0	(39)	0	**(84,598)**
Adjustments to cost/value & depreciation/impairment	3,884	0	0	0	58	0	**3,942**
Depreciation charge	(5,726)	(3,972)	(7,694)	0	(54)	0	**(17,447)**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition – disposals	0	0	0	0	0	0	**0**
Derecognition – other	8	2,413	0	0	0	0	**2,421**
Reclassifications and transfers	124	0	0	0	0	0	**124**
Other movements in depreciation and impairment	0	(24)	0	0	0	0	**(24)**
at 31 March 2019	**(9,171)**	**(18,372)**	**(68,004)**	**0**	**(35)**	**0**	**(95,581)**
Net Book Value							
at 31 March 2019	**338,507**	**31,432**	**165,802**	**5,960**	**1,724**	**9,918**	**553,344**
at 31 March 2018	**323,403**	**28,779**	**162,538**	**5,612**	**1,404**	**3,739**	**525,474**

Movements to 31 March 2018

	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
Cost or Valuation							
at 1 April 2017	343,751	46,621	211,394	5,609	2,021	8,661	**618,056**
Adjustments to cost/value & depreciation/impairment	(5,524)	0	0	0	(4)	0	**(5,528)**
Additions	13,145	3,680	11,271	2	0	1,931	**30,029**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,839	0	0	0	(167)	0	**6,672**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(539)	0	0	0	(225)	0	**(764)**
Derecognition – other	(34,128)	(4,577)	0	0	0	(2)	**(38,707)**
Reclassifications and transfer	7,319	(156)	182	0	(182)	(6,850)	**313**
at 31 March 2018	**330,862**	**45,568**	**222,847**	**5,612**	**1,443**	**3,739**	**610,071**
Accumulated Depreciation and Impairment							
at 1 April 2017	(8,801)	(15,723)	(52,927)	0	(30)	0	**(77,481)**
Adjustments to cost/value & depreciation/impairment	5,527	0	0	0	4	0	**5,531**
Depreciation charge	(5,346)	(4,152)	(7,382)	0	(15)	0	**(16,895)**
Derecognition – other	1,441	2,809	0	0	0	0	**4,250**
Reclassifications and transfers	(277)	277	0	0	0	0	**0**
Other movements in depreciation and impairment	(3)	0	0	0	3	0	**0**
at 31 March 2018	**(7,458)**	**(16,789)**	**(60,309)**	**0**	**(39)**	**0**	**(84,595)**
Net Book Value							
at 31 March 2018	**323,403**	**28,779**	**162,538**	**5,612**	**1,404**	**3,739**	**525,474**
at 31 March 2017	**334,950**	**30,898**	**158,467**	**5,609**	**1,991**	**8,661**	**540,575**

Depreciation
The useful lives used in the calculation of depreciation are given within the Accounting Policies for Property, Plant and Equipment.

Capital Commitments
At 31 March 2019, the Council had entered into a number of contracts for the construction for enhancement of Property, Plant and Equipment in 2019/20 and future years. The major commitments are:

Capital Scheme	£000
Schools (Broadmead and Wootton)	2,808
Transformation	1,629
Superfast Broadband	946
Transporting Bedford 2020	2,101
Average Speed Cameras	535
Road resurfacing	2,084
Minor works	354
Total	**10,457**

Effects of Changes in Estimates
There are no material effects or changes in estimates.

Schools
As at 1 April 2018 there were 38 maintained schools of which 14 were Foundation schools and 6 are Voluntary Aided schools. During 2018/2019 one school converted to Academy status (six in 2017/2018).

Revaluations
The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. 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. Valuations of vehicles, plant, furniture and equipment are based on historic prices.
The significant assumptions applied in estimating the fair values are:

- Internal services (e.g. electrics, heating or other building service apparatus) are assumed to be in good repair and condition.
- Service installations will not be tested and it is assumed that they are of adequate supply and capacity, in satisfactory working order and comply with statutory requirements.
- Inspections undertaken will typically be external only and it is assumed that the inspection of assets or parts of assets that have not been inspected would not cause the valuer to alter their initial opinion of value
- It has been assumed that no deleterious or hazardous substances are present and that no latent defects exist.
- It is assumed that there are no contamination issues on individual properties but should it subsequently be identified that contamination, pollution exists or that the property is being put to a contaminative use this would likely reduce the values reported.
- No title check or local search are to be carried out and it is assumed that the property and its value are unaffected by any matters which would be revealed by a local search or inspection of any register, nor subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that the use and occupation are lawful.

- Any mineral value is excluded unless specifically reflected in the valuation.
- Where an asset has been damaged by an insured peril it is assumed that the asset is reinstated with a new facility utilising any insured losses.
- It is assumed that non-operational freehold properties will be well maintained that there is no significant backlog and that the asset will have a useful life in excess of 50 years. For leased out properties it is assumed that the parties to the lease/agreement have complied with the required repairing and decorating covenants.
- It is assumed that the Authority will continue to provide sufficient maintenance resources to enable the operational properties to continue to provide the existing level of service for the medium term, unless otherwise stated. All permanent operational properties are considered to have a useful life of 100 years or as stated individually.
- It is assumed that there is no breach of planning regulations relating to the properties being valued. The planning position on specific properties has not been researched although consideration has been given to potential alternative uses under the Local Plan in respect of some properties where considered appropriate. Any specifics or planning assumptions have been stated on the individual valuation.
- It is assumed that ground lease rents will revert to open market values, either rental or capital, upon reversion whenever that may be.
- It is also assumed that commercial leases will be renewed on expiry unless specifically stated in the individual valuation.
- For the valuation of long ground leases of industrial buildings held freehold it is assumed that at the end of the lease the building will no longer be fit for use, or alternatively will not be of a construction type or design suitable for modern requirements. Thus there will be no demand for the building in the market and its value shall be that of the site only.
- No allowance has been made in respect of the costs of sale unless the property is classified as 'Assets Held For Sale', or as stated on the individual property valuation.
- Where capital expenditure on an asset is considered to have no effect on the value of the asset a valuation may not have been undertaken purely as a result of such expenditure having been incurred.
- It is assumed that the properties are compliant with the Disability Discrimination Act 1995, The Equality and Diversity Act 2010, The Fire Precautions Act 1971, The Regulatory Reform (Fire Safety) Order 2005, The Health and Safety at Work Act 1974, et al.

The table below shows the values of assets split by type and according to the year in which they were formally valued.

Property, Plant and Equipment Revaluations

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Total
	£000	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	0	31,432	5,960	0	37,393
Valued at current value as at:					
31/03/2019	105,887	0	0	1,464	107,351
31/03/2018	142,037	0	0	31	142,068
31/03/2017	90,583	0	0	0	90,583
31/03/2016	0	0	0	0	0
31/03/2015	0	0	0	230	230
Total Cost or Valuation	**338,507**	**31,432**	**5,960**	**1,724**	**377,624**

Note 15 - Heritage Assets

2018/19	Total
	£000
Opening Balance	6,522
Additions	32
Closing Balance	**6,554**

Note 16 - Investment Properties

Income and Expenditure

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

31 March 2018 £000	Investment Property Income and Expenditure	31 March 2019 £000
(4,713)	Rental income from investment property	(5,275)
662	Direct operating expenses from investment property	867
(4,051)	**Net (gain)/loss**	**(4,409)**

The Council would expect to be able to realise the value and receive the proceeds of disposal inherent in its investment property if disposed of in a strategic manner over a period of time and typically receives income as defined by the existing lease arrangements. The Council has varying repair and maintenance responsibilities associated with leases that require works to be undertaken periodically.

Balance Sheet Fair Values

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

31 March 2018			31 March 2019	
Current	Non-Current		Current	Non-Current
£000	£000	Investment Properties Movements in Year	£000	£000
20,484	54,938	Opening Balance	10,500	60,084
		Additions:		
3,744	347	Purchases	0	1,741
(10,094)	0	Disposals	(1,700)	0
(1,349)	2,830	Net gains/losses from fair value adjustments	3,785	2,086
		Transfers:		
(2,285)	1,970	to/from Property Plant and Equipment	(1,000)	757
10,500	**60,084**	**Balance at the end of the year**	**11,585**	**64,668**

Fair Value Hierarchy

Detail of the authority's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

Fair Value Hierarchy

Recurring fair value measuring usage	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£000	**£000**	**£000**	**£000**
	0	**68,308**	**7,945**	**76,253**

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between the Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the properties classified as Level 2 has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

The properties classified as Level 3 located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream or by the means of direct market comparisons . Both methods have been developed using the authority’s own and relevant market data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc. The relevant property valuations are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best Use of Investment Properties

In estimating the fair value of the authority’s investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy
The significant balance of Level 3 valuation are in respect of the Development Properties. These are reconciled in the table below.

31 March 2018 £000	Investment Property Movements in Year	31 March 2019 £000
19,019	Opening Balance	12,546
1,029	Reclassifications into Investment Properties at Level 3	778
(1,302)	Total gains or losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	1,748
0	Additions	123
(6,200)	Disposals	(8,700)
12,546	**Balance at the end of the year**	**6,495**

Gains or losses arising from the changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Quantitative Information about the Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

The significant balance of Level 3 valuation are in respect of the Development Properties. These are reconciled in the table below.

Commercial

80 of the 86 property valuations classified as commercial are based on observable inputs evidenced by strong market information. The remaining 6 valuations, totalling £0.723 million are for sites which are unique in their characteristics and require professional judgements to be made. Each Commercial Property valuation incorporates unique and varying judgements which are not easily summarised and are not considered material in nature.

Development

A significant proportion of category 3 valuations are for properties classified as Development. The valuation of these sites is based on an income approach using a discounted cash flow (DCF) technique and direct market comparisons of similar site transactions. This technique is supported by a number of unobservable inputs, which are summarised in the table below.

Development categorised as Level 3 Unobservable Input Description	Minimum Applied	Maximum Applied	Weighted Average
Development Land (Gross:Net) % of land estimated to be viable for development	60%	90%	70%
Infrastructure Obligations % of gross receipt required for infrastructure requirements e.g. S106 contributions, Community Infrastructure Levy or developer works	5%	34%	19%
Discount Rate Discount rates applied to estimated cash flows (this reflects cash flow timing assumptions and the time value of money)	0.71	0.96	0.89
Scheme Risk Overall scheme risk, including the risk of other assumptions and the approval of planning consent for the site	10%	50%	21%

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at the 1st April as a minimum. Where there has been capital spend during the year in excess of £100,000 on an asset, a further revaluation will take place at the balance sheet date (31 March).. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Note 17 - Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generally 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 authority.

31st March 2018			31st March 2019	
Other Assets	**Total**		**Other Assets**	**Total**
£000	**£000**		**£000**	**£000**
		Balance at start of year:		
5,032	5,032	Gross carrying amounts	6,906	6,906
(1,721)	(1,721)	Accumulated amortisation	(2,198)	(2,198)
3,311	**3,311**	**Net carrying amount at start of year**	**4,709**	**4,709**
		Additions:		
1,885	1,885	Purchases	2,709	2,709
(11)	(11)	Other disposals	0	0
(477)	(477)	Amortisation for the period	(663)	(663)
4,709	**4,709**	**Net carrying amount at end of year**	**6,754**	**6,754**
		Comprising:		
6,906	6,906	Gross carrying amounts	9,615	9,615
(2,198)	(2,198)	Accumulated amortisation	(2,861)	(2,861)
4,709	**4,709**	**Total**	**6,754**	**6,754**

Intangible Assets are amortised to the relevant service line(s) in the CIES over the economic life of the asset (between 5 and 10 years).

The carrying amount of intangible assets is historical cost, amortised on a straight-line basis. The amortisation for the period has been charged to the relevant service area, and if charged to the IT Service, the cost is then subsequently absorbed as an overhead across all the service headings, in the CIES.

There are three types of capitalised intangible assets that are individually identified in the table below:

31 March 2018	Remaining Amortisation Period	Description of Intangible Assets	31 March 2019	Remaining Amortisation Period
£000			£000	
2,686	5	Purchased software	3,893	5
9	5	Internally generated software	6	5
2,014	7	Licences, trademarks and artistic originals	2,856	7
4,709			**6,754**	

Note 18a - Financial Instruments

The Accounting Policies in Note 2 set out the classifications of financial instruments listed below.

	Non-Current Financial Assets					
	Investments		Debtors		Total	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000	£000	£000
Pre IFRS 9 Categories						
Loans and receivables	6,079		11,463		17,542	0
Available-for-sale financial assets	23,212				23,212	
IFRS 9 Categories						
Fair value through profit and loss		35,169		0	0	35,169
Amortised cost		3,048		6,635	0	9,683
Total financial assets	**29,291**	**38,217**	**11,463**	**6,635**	**40,754**	**44,852**
Non-financial assets	0	0	0	0	0	0
Total	**29,291**	**38,217**	**11,463**	**6,635**	**40,754**	**44,852**

	Current Financial Assets					
	Investments		Debtors		Total	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000	£000	£000
Pre IFRS 9 Categories						
Loans and receivables	9,521		0		9,521	
Available-for-sale financial assets	6,086				6,086	
Other			20,901		20,901	
IFRS 9 Categories						
Fair value through profit and loss		4,008		0		**4,008**
Amortised cost		10,057		25,748		**35,804**
Total financial assets	**15,606**	**14,065**	**20,901**	**25,748**	**36,507**	**39,812**
Non-financial assets	0	0	0	0	0	0
Total	**15,606**	**14,065**	**20,901**	**25,748**	**36,507**	**39,812**

Debtors will not reconcile to the balance sheet as non-financial instruments are excluded from the tables above.

	Non-Current Financial Liabilities					
	Borrowings		Other long-term liabilities		Total	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000	£000	£000
Amortised cost	(70,363)	(67,132)	(206)	(665)	(70,569)	(67,797)
Total financial liabilities	**(70,363)**	**(67,132)**	**(206)**	**(665)**	**(70,569)**	**(67,797)**
Non-financial liabilities	0	0	0	0	0	0
Total	**(70,363)**	**(67,132)**	**(206)**	**(665)**	**(70,569)**	**(67,797)**

Other long-term liabilities do not include the pensions liability of £319.113 million.

	Current Financial Liabilities					
	Borrowings		Creditors		Total	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000	£000	£000
Amortised cost	(3,958)	(5,934)	(33,105)	(36,153)	(37,063)	(42,086)
Total financial liabilities	**(3,958)**	**(5,934)**	**(33,105)**	**(36,153)**	**(37,063)**	**(42,086)**
Non-financial liabilities	0	0	0	0	0	0
Total	**(3,958)**	**(5,934)**	**(33,105)**	**(36,153)**	**(37,063)**	**(42,086)**

Creditors will not reconcile to the balance sheet as non-financial instruments are excluded from the table above.

The table below shows amounts recognised in the Comprehensive Income and Expenditure Statement during the year.

Income, Expense, Gains and Losses

	31 March 2018		31 March 2019	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
• financial assets measured at fair value through profit or loss	0	0	57	
• financial assets measured at fair value through other comprehensive income	0	759	0	0
Total net gains/losses	**0**	**759**	**57**	**0**
Interest revenue:				
• financial assets measured at amortised cost	(2,578)		(2,525)	
• other financial assets measured at fair value through other comprehensive income	(23)		(23)	
Total interest revenue	**(2,601)**		**(2,548)**	
Interest expense	**3,430**		**3,415**	

Note 18b - Financial Instruments Fair Value

The table below shows amounts recognised in the Comprehensive Income and Expenditure Statement during the year.

31 March 2018 Fair Value £000	Recurring Fair Value Measurements – Fair Value through Profit & Loss	31 March 2019 Fair Value £000
27,224	Bond,equity & Property Funds	39,177
4,168	Corporate, covered and Government Bonds	0
13,442	Money Market Funds	5,782
44,833	**Balance 31 March**	**44,959**

The Fair Value of Financal Assets and Financial Liabilities that are not measured at Fair Value (but which fair value disclosures are required) are shown below.

31 March 2018		Financial Liabilities	31 March 2019	
Carrying Value £000	Fair Value		Carrying Value	Fair Value £000
(74,321)	98,460	Financial Liabilities held at Amortised Cost	(73,065)	(94,413)
(74,321)	**98,460**	**Balance 31 March**	**(73,065)**	**(94,413)**

31 March 2018		Financial Assets	31 March 2019	
Carrying Value £000	Fair Value		Carrying Value	Fair Value £000
6,365	6,236	Loans & Receivables	3,335	3,354
6,365	**6,236**	**Balance 31 March**	**3,335**	**3,354**

Note 19 - Inventories

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

	Cemeteries		Environment		Car Parking		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance outstanding at start of year	71	99	72	152	16	22	**159**	**274**
Purchases	28	0	1,112	1,086	7	0	**1,147**	**1,086**
Recognised as an expense in the year	0	(99)	(1,032)	(1,110)	(1)	(22)	**(1,033)**	**(1,232)**
Balance Outstanding at Year End	**99**	**0**	**152**	**128**	**22**	**0**	**274**	**128**

Note 20 - Debtors

31 March 2018 £000		31 March 2019 £000
9,129	Trade Receivables	9,383
1,999	Prepayments	2,145
15,703	Other Receivable Amounts	22,453
26,830	**Total**	**33,981**

Further analysis on the age of debt is included within Note 44, Nature and Extent of Risks Arising from Financial Instruments.

Note 21 - Cash and Cash Equivalents

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

31 March 2018 £000		31 March 2019 £000
(786)	Cash and Bank balances	254
18,164	Short Term Deposits	12,800
17,378	**Total Cash and Cash Equivalents**	**13,054**

Cash and Cash Equivalents fell by £4.324 million between Balance Sheet dates. This largely reflects the treasury management decisions to place surplus funds in long term pooled investment instruments.

For more detail on the movement in Cash and Cash Equivalents please refer to **Notes 26, 27 and 28**.

Note 22 - Creditors

The main categories of Short-Term Creditors on the Balance Sheet are disclosed in the table below:

31 March 2018 £000		31 March 2019 £000
(18,769)	Trade payables	(18,906)
(33,267)	Other payables	(33,674)
(52,036)	**Total Creditors**	**(52,580)**

Note 23 - Provisions

A breakdown of the Council's provision movements during the year are given below:

Current Provisions

2018/19	Elstow Landfill Decommissioning	Insurance provision	Domestic Rates Appeal (BBC portion)	Compulsory Purchase Orders	Other	Total
	£000	£000	£000	£000	£000	£000
Opening Balance	(2,155)	(389)	(4,188)	(266)	(1,424)	(8,422)
Increase in provision during year	0	0	(954)	0	(145)	(1,098)
Utilised during year	167	63	0	0	608	838
Unwinding of discounting	3	(47)	0	0	0	(44)
Other movements	825	0	0	0	0	825
Closing Balance	**(1,160)**	**(373)**	**(5,142)**	**(266)**	**(961)**	**(7,901)**

Long Term Provisions

2018/19	Elstow Landfill Decommissioning	Insurance provision	Total
	£000	£000	£000
Opening Balance	(3,084)	(1,041)	(4,125)
Unwinding of discounting	0	42	42
Other movements	(825)	0	(825)
Closing Balance	**(3,908)**	**(999)**	**(4,907)**

Brief explanations of what the main provisions represent are:

- Elstow Landfill Decommissioning is to cover the future statutory revenue and capital costs associated with the closed landfill site in Elstow.
- National Non-Domestic Rates Appeals is 49% of the appeal provision created in the Collection Fund for potential appeals against Non-Domestic Rates Bills.
- Insurance Provision is set aside for specific and known insurance liabilities. Approximately 25% is expected to be spent within 1 year, 50% within 2 – 5 years, and the remainder after 5 years.
- Compulsory Purchase Orders (CPO) relates to amounts anticipated to be incurred as a result of making CPOs, but where the owner has not yet made a claim.

All other provisions are individually insignificant.

A summary of the movement in provisions is shown in the table below:

2017/18	Total Provisions	2018/19
£000		£000
(10,564)	Opening Balance	(12,547)
(2,370)	Increase in provision during year	(1,098)
901	Utilised during year	838
(514)	Unwinding of discounting	(2)
(12,547)	**Closing Balance**	**(12,809)**

Note 24 - Usable Reserves

Movement in the Council's Usable Reserves are detailed in the Movement in Reserves Statement (**Page 17**), and the disclosure notes Adjustments between Accounting Basis and Funding Basis under Regulations (**Note 9**) and Transfers to / from Earmarked Reserves (**Note 10**).

In this era of austerity and financial insecurity, the council has established sufficient levels of Usable Reserves to mitigate financial risk. There will be an ongoing need to review and establish a level of Reserves which both allows the Council to withstand the financial impacts of future funding reductions, at a local or national level, and provides funding to enable the Council to transform to deliver fit for purpose services which meet the changing needs and expectations of service users.

Capital Receipts Reserve

31 March 2018 £000		31 March 2019 £000
(894)	Balance 1 April	0
(10,845)	Capital Receipts in year	(8,310)
(5,017)	Deferred Receipts realised	(4,938)
16,755	Capital Receipts used for financing	13,248
0	**Balance 31 March**	**0**

Capital Grants Unapplied

31 March 2018 £000		31 March 2019 £000
(3,877)	Balance 1 April	(9,608)
(13,158)	Capital grants recognised in year	(21,130)
7,426	Capital grants and contributions applied	21,695
(9,608)	**Balance 31 March**	**(9,043)**

Note 25 - Unusable Reserves

The table below provides a breakdown of the Unusable Reserves values included in the Movement in Reserves Statement.

31 March 2018 £000		31 March 2019 £000
(93,589)	Revaluation Reserve	(102,151)
(217)	Available for Sale Financial Instruments Reserve	0
0	Pooled Investment Funds Adjustment Account	(160)
(384,550)	Capital Adjustment Account	(423,330)
211	Financial Instruments Adjustment Account	34
313,943	Pension Reserve	320,837
(14,961)	Deferred Capital Receipts Reserve	(10,024)
(946)	Collection Fund Adjustment Account	(851)
1,846	Accumulated Absences Account	2,254
(178,265)	**Total**	**(213,392)**

(a) Revaluation Reserve

31 March 2018 £000		31 March 2019 £000
(92,596)	**Balance 1 April**	(93,589)
(10,738)	Upward revaluation of assets	(16,632)
4,066	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	6,673
(6,672)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(9,959)**
1,465	Difference between fair value depreciation and historical cost depreciation	1,397
4,214	Accumulated gains on assets sold or scrapped	0
5,679	**Amount written off to the Capital Adjustment Account**	**1,397**
(93,589)	**Balance 31 March**	**(102,151)**

The Revaluation Reserve contains the gains made by the authority 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.

During 2018/2019 Property Plant and Equipment has been upwardly revalued by a net movement of £9.959 million. This upward revaluation is included within the Property, Plant and Equipment (PPE) disclosure, Note 14. These upward revaluations are not recognised within the Provision of Services section of the Comprehensive Income and Expenditure Statement until the asset is disposed of and the gain is achieved. The net revaluation gain is included within the lower part of the note in the section titled Other Comprehensive Income and Expenditure.

(b) Available for Sale Financial Instruments Reserve

31 March 2018 £000		31 March 2019 £000
(976)	**Balance 1 April**	(217)
(467)	Upward revaluation of investments	0
576	Downward revaluation of investments not charged to the Surplus or Deficit on the Provision of Services	0
650	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	217
(217)	**Balance 31 March**	**0**

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

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

The 2018/2019 Code of Practice on Local Authority Accounting has adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Available for Sale Reserve category of financial instrument has been removed. Balances have not been transferred to the new Financial Instruments Revaluation Reserve as they do not meet the classification criteria Fair Value through Other Comprehensive Income. Instead balances have been written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income.

(c) Pooled Investment Funds Adjustment Account

31 March 2018 £000		31 March 2019 £000
0	**Balance 1 April**	0
0	Upward revaluation of investments	(160)
0	**Total Changes in revaluation and impairment**	**(160)**
0	**Balance 31 March**	**(160)**

The Pooled Investment Funds Adjustment Account contains the gains or losses made by the authority arising from increases or decreases in the value of its Pooled Investment Fund investments that are measured at fair value through profit and loss. A statutory provision requires the authority to hold fair value movements in this unusable reserve.

(d) Capital Adjustment Account

31 March 2018 £000		31 March 2019 £000
(412,816)	**Balance 1 April**	(384,550)
16,895	Charges for depreciation and impairment of non-current assets	17,447
764	Revaluation losses on non-current assets	3,521
477	Amortisation of intangible assets	663
26,792	Revenue expenditure funded from capital under statute	11,408
44,561	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	3,071
89,489	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	36,110
(5,679)	Adjusting Amounts written out of the Revaluation Reserve	(1,397)
83,810	**Net written out amount of the cost of non-current assets consumed in the year**	34,713
(16,755)	Use of Capital Receipts Reserve to finance new capital expenditure	(13,248)
(27,627)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(39,891)

(3,023)	Statutory provision for the financing of capital investment charged against the General Fund balance	(3,551)
(6,654)	Capital expenditure charged against the General Fund balance	(10,820)
	Donated Assets Amortisation	(114)
(54,059)	**Capital financing applied in year:**	(67,624)
(1,481)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5,871)
(384,550)	**Balance 31 March**	**(423,330)**

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

The account contains accumulated gains and losses on Investment Properties and also 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.

(e) Financial Instruments Adjustment Account

31 March 2018 £000		31 March 2019 £000
258	**Balance 1 April**	211
(7)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(135)
(40)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(41)
(47)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(177)
211	**Balance 31 March**	**34**

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 (Note 9). Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the impact on Council Tax. The Council also uses the account to reverse the impact on the General Fund of charging interest foregone on soft loans to the Comprehensive Income and Expenditure Statement.

(f) Pension Reserve

31 March 2018 £000		31 March 2019 £000
304,812	Balance 1 April	313,943
(5,848)	Remeasurements of the net defined benefit (liability)/asset	(3,979)
31,192	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	27,337
(16,213)	Employer's pensions contributions and direct payments to pensioners payable in the year	(16,464)
313,943	**Balance 31 March**	**320,837**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay 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.

The balance of the Pensions Reserve increased by £6,894 million during 2018/2019. The table reconciles the movement and includes a significant change due to Actuarial gains or losses on pension's assets and liabilities. This movement is explained in more detail within Note 41.

(g) Deferred Capital Receipts Reserve

31 March 2018 £000		31 March 2019 £000
(19,978)	Balance 1 April	(14,961)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
5,017	Transfer to the Capital Receipts Reserve upon receipt of cash	4,938
(14,961)	**Balance 31 March**	**(10,024)**

The Council holds a balance of Long Term Debtors and a matching balance relating to Deferred Capital Receipts. These balances relate to mortgages arising from the sale of Council houses which are not immediately payable, but are repayable over a longer period and in respect of a finance lease, and the sale of an Investment Property, Employment Land at Wootton, which is being paid in five instalments over the next four years. When principal payments are received the Long Term Debtor is reduced and a matching amount is transferred from Deferred Capital Receipts to Capital Receipts Reserve. However, for finance leases in existence before 31 March 2010 statutory mitigation (SI 2010/454) applies whereby principal payments are classified as revenue (not capital), as such a matching amount is transferred from Deferred Capital Receipts to the Comprehensive Income and Expenditure Statement.

The balance on the Deferred Capital Receipts Reserve represents the sale of large development site in the Wootton region in 2016/17 for which payment has been agreed over a five year period.

(h) Collection Fund Adjustment Account

31 March 2018 £000		31 March 2019 £000
(2,010)	Balance 1 April	(946)
1,064	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	95
0	Other movements	0
(946)	**Balance 31 March**	**(851)**

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

Conversely, the surplus position shown for the Non National Domestic Rates reflects the Council proportion of the surplus position held within the Collection Fund. The deficit has been created by higher than forecast receipts.

For additional information on the Collection Fund and the calculation of the Council's share of surplus or deficit please refer page 99.

(i) Accumulated Absences Account

31 March 2018 £000		31 March 2019 £000
2,169	**Balance 1 April**	1,846
(2,169)	Settlement or cancellation of accrual made at the end of the preceding year	(1,846)
1,846	Amounts accrued at the end of the current year	2,254
(323)	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	409
1,846	**Balance 31 March**	**2,254**

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.

Note 26 - Cash Flow from Operating Activities

The table below represents the operating cash flow movements for the year:

The cash flows for operating activities include the following items:

31 March 2018 £000		31 March 2019 £000
(2,492)	Interest received	(2,548)
3,430	Interest paid	3,415
938	**Total**	**867**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2018 £000		31 March 2019 £000
(16,895)	Depreciation	(17,447)
(764)	Impairment and downward valuations	(3,521)
(477)	Amortisation	(663)
(5,757)	(Increase)/decrease in creditors	(611)
(10,301)	Increase/(decrease) in debtors	(2,091)
115	Increase/(decrease) in inventories	(146)
(14,979)	Movement in pension liability	(10,873)
(44,561)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,071)
(556)	Other non-cash movements charged to the surplus or deficit on provision of services	5,607
(94,174)	**Total**	**(32,816)**

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

31 March 2018 £000		31 March 2019 £000
10,845	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,310
21,327	Any other items for which the cash effects are investing or financing cash flows	35,009
32,171	**Total**	**43,318**

Note 27 - Cash Flow from Investing Activities

The table below represents the investing cash flow movements for the year:

31 March 2018 £000		31 March 2019 £000
39,549	Purchase of property, plant and equipment, investment property and intangible assets	45,108
9,282	Purchase of short-term and long-term investments	95,319
(15,861)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(13,248)
(9,990)	Proceeds from short-term and long-term investments	(87,835)
(22,725)	Other receipts from investing activities	(26,405)
254	**Net cash flows from investing activities**	**12,940**

Note 28 - Cash Flow from Financing Activities

The table below represents the financing cash flow movements for the year:

31 March 2018 £000		31 March 2019 £000
0	Cash receipts of short-term and long-term borrowing	(2,000)
318	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	0
3,309	Repayments of short-term and long-term borrowing	3,309
(356)	Other payments for financing activities	(1,101)
3,271	**Net cash flows from financing activities**	**208**

Note 29 - Agency Services

The Council provides a number of services on behalf of other public bodies on an Agency basis. The income and expenditure recognised in the accounts is only those elements relating to the Council, and not income and expenditure relating to third parties. The significant Agency Services are shown in the table below, with the exception of Business Rates and Council Tax Collection (which are shown as a separate note).

2017/18 £000	Business Improvement District	2018/19 £000
(443)	Income	(459)
423	Expenditure	446
(20)	**Net Surplus/Deficit on the Agency Arrangement**	**(14)**

2017/18 £000	Payroll Services	2018/19 £000
(104,778)	Income	(96,773)
104,778	Expenditure	96,773
0	**Net Surplus/Deficit on the Agency Arrangement**	**0**

Note 30 - Pooled Budgets

Bedfordshire Joint Equipment Store

This is a pooled fund for the provision of a high quality, seamless, cost effective joint community equipment service to people in Bedfordshire with needs related to short term or chronic disability of physical impairment. The partnership is between the Council, Central Bedfordshire Council and Bedfordshire Clinical Commissioning Group (BCCG).

2017/18 £000	Bedford Joint Equipment Store	2018/19 £000
(266)	Authority Funding	(282)
(1,720)	Partner Funding	(1,826)
(1,986)	Total Pooled Funding	(2,108)
266	Authority Expenditure	282
1,720	Partner Expenditure	1,826
1,986	Expenditure	2,108
0	**Net Surplus/Deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net Surplus / Deficit**	**0**

Better Care Fund

From the 1st April 2015, Bedfordshire CCG entered into a section 75 pooled fund agreement with Bedford Borough Council for the Better Care Fund (BCF). Bedford Borough Council provides financial management for this Pooled Fund.

The BCF is a policy initiative between local authorities, CCG's and NHS providers which has resulted in pooled 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 financial risk being retained by the lead body. In relation to the equipment store, the arrangement is hosted by Central Bedfordshire Council and accounted for as a pooled budget.

The Clinical Commissioning Group and Bedford Borough 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 CCH locality. Each partner then manages the contracts with their own providers of Better Care Fund services and each partner retains any financial risk relating to those contracts.

2017/18	**Better Care Fund**	**2018/19**
£000		**£000**
(6,922)	Authority Funding	(9,973)
(4,455)	Partner Funding	(5,312)
(11,377)	Total Pooled Funding	(15,285)
6,922	Authority Expenditure	9,973
4,455	Partner Expenditure	5,312
11,377	Expenditure	15,285
0	**Net Surplus/Deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net Surplus / Deficit**	**0**

Note 31 - Members' Allowances

The Council paid the following amounts to members of the council during the year.

31 March 2018		**31 March 2019**
£000		**£000**
656	Allowances	653
656	**Total Members' Allowances**	653

Note 32 - Officers' Remuneration

The table below discloses details of individual remuneration for senior employees of the Council. Staff whose salary is above £150,000 are named; otherwise they are listed by way of Job Title.

		Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£
Chief Executive - Philip Simpkins	**2018/19**	**176,885**		**29,987**	**206,872**
	2017/18	173,417		29,400	202,817
Director of Children's Services	**2018/19**	**115,601**		**19,630**	**135,231**
(In post from 26th June 2017)	2017/18	81,482		13,863	95,345
Director of Adult Services	**2018/19**	**115,601**		**19,630**	**135,231**
(In post from 3rd July 2017)	2017/18	105,712		17,958	123,670
Director of Environment	**2018/19**	**123,760**		**21,008**	**144,768**
(In post from 26th June 2017)	2017/18	110,313		18,736	129,049
Director of Public Health	**2018/19**	**100,980**		**17,159**	**118,139**
	2017/18	99,727		16,947	116,674
Assistant Chief Executive (Enabling Services)	**2018/19**	**112,200**		**19,055**	**131,255**
	2017/18	104,437		17,743	122,180
Assistant Chief Executive (Law & Corporate Governance)	**2018/19**	**112,200**		**19,055**	**131,255**
	2017/18	104,437		17,743	122,180
Assistant Chief Executive (Business Transformation)	**2018/19**	**104,987**			**104,987**
	2017/18	101,621			101,621
2017/18 Direct Reports	**2018/19**	**0**	**0**		**0**
Posts deleted / not reporting to Chief Executive from 2017/18	2017/18	211,387	126,589	30,880	368,856
Total in 2018/19		**962,214**	**0**	**145,522**	**1,107,736**
Total in 2017/18		**1,092,534**	**126,589**	**163,270**	**1,382,393**

The pension contribution is based on the Actuarial calculation of the current cost of pensions. This has been taken from the Triennial Valuation report that indicates that the employer's contribution for current costs is 16.90% of salary costs for 2018/2019.

The role of Director of Public Health transferred to Local Government from 1 April 2013. The Director of Public Health is jointly funded with Central Bedfordshire Council and Milton Keynes Council. Bedford Borough Council contributes 27% of the post's salary (24% in 2017/2018).

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Officer Remuneration

	Number of Employees 2017/18	2018/19
£50,001 to £55,000	43	41
£55,001 to £60,000	22	17
£60,001 to £65,000	13	24
£65,001 to £70,000	6	7
£70,001 to £75,000	8	4
£75,001 to £80,000	10	13
£80,001 to £85,000	3	2
£85,001 to £90,000	2	8
£90,001 to £95,000	1	1
£95,001 to £100,000	2	0
£100,001 to £105,000	3	2
£105,001 to £110,000	3	0
£110,001 to £115,000	3	2
£115,001 to £120,000	1	2
£120,001 to £125,000	0	1
£125,001 to £130,000	1	0
£170,001 to £175,000	1	0
£175,001 to £180,000	0	1
Total	**122**	**125**

- The table includes those employees specifically reported in the previous table.
- Bands with no employees in that range are omitted.
- Teaching Staff (Community and VC Schools only) are included.
- Remuneration includes redundancy cost, but excludes 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 (£)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0-£20,000	71	11	36	29	107	40	375,000	343,000
£20,001 - £40,000	5	0	11	5	16	5	436,000	142,000
£40,001 - £60,000	2	0	2	5	4	5	187,000	255,000
£60,001 - £80,000	3	1	1	2	4	3	293,000	217,000
£80,001 - £100,000	2	0	1	3	3	3	253,000	273,000
£100,001 - £150,000	1	0	1	1	2	1	249,000	103,000
£150,001 to £200,000	0	0	0	1	0	1	0	163,000
£200,001 to £250,000	0	0	0	1	0	1	0	245,000
£250,001 to £300,000	1	0	0	0	1	0	254,000	0
Total	**85**	**12**	**52**	**47**	**137**	**59**	**2,047,000**	**1,741,000**
Add: Amounts provided for in CIES not included in bandings							0	0
Total cost included in CIES							**2,047,000**	**1,741,000**

The 'other departures' column includes a number of voluntary redundancies, which mitigated the need for compulsory redundancies.

Note 33 - External Audit Costs

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

2017/18 £000		2018/19 £000
128	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	117
10	Fees payable in respect of other services provided by external auditors during the year	11
138	**Total**	**128**

Note 34 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency and the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be allocated to expenditure as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is allocated to maintained schools.

Details of the deployment of DSG receivable is as follows:

DSG Receivable for 2018/19	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG for year before Academies recoupment			149,500
Academy figure recouped for year			(75,119)
Total DSG after academy recoupment			**74,381**
Plus: Brought forward from previous year			1,785
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	**22,296**	**53,870**	**76,166**
In year adjustments	976	(870)	106
Final budget distribution for year	**23,272**	**53,000**	**76,272**
Less: Actual central expenditure	(21,648)		(21,648)
Less: Actual ISB deployed to schools		(50,832)	(50,832)
Plus: Local Authority contribution for year	0	0	0
Carry forward to 2019/20	**1,624**	**2,168**	**3,792**

DSG Receivable for 2017/18	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			139,366
Academy figure recouped for year			(69,791)
Total DSG after academy recoupment			**69,575**
Plus: Brought forward from previous year			2,596
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	**24,316**	**47,855**	**72,171**
In year adjustments	17	(420)	(403)
Final budget distribution for year	**24,333**	**47,435**	**71,768**
Less: Actual central expenditure	(23,281)		(23,281)
Less: Actual ISB deployed to schools		(46,702)	(46,702)
Plus: Local Authority contribution for year	0	0	0
Carry forward to 2018/19	**1,052**	**733**	**1,784**

The actual expenditure incurred against DSG funding in 2018/2019 is £72.480 million. This resulted in a underspend of £3.792 million, which is an increased carry forward of £2.007 million from the previous year.

£1.132 million of this additional carry forward relates to the ISB as in 2017/2018 there was an overspend of £0.211 million, however in 2018/2019 there was an underspend of £0.921 million.

£0.500 million of this carry forward has been allocated to the schools ISB budgets and £0.217 million to the schools contingency budgets in 2019/2020 with the balance to be agreed at the next Schools Forum.

Note 35 - Grant Income

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

31 March 2018 £000		31 March 2019 £000
(14,595)	Revenue Support Grant	(10,201)
(2,482)	Section 31 Grant	(3,049)
(7,071)	New Homes Bonus Grant	(6,006)
(1,063)	Education Services Grant	(1,011)
(730)	Transition Grant	0
0	Flood Grant	(15)
(7,396)	Department of Transport	(3,469)
(21)	Homes & Communities Agency	0
(1,257)	Community Infrastructure Levy	(8,198)
(149)	Section 106 Developer Contributions	(5,056)
(140)	Other Grants & Contributions	(658)
(7,349)	Department of Education	(9,542)
(80)	Semlep	(3,069)
(42,333)	**Total**	**(50,275)**

The largest movement between years was in the level of Revenue Support Grant received from Central Government. Current medium term projections reflect Central Government's policy whereby Revenue Support Grant will continue to reduce further over the next few financial years as part of ongoing austerity measures. These reductions are expected to be offset by annual increases in the level of average Band D Council Tax charges and continued increase in Taxbase.

Credited to Services

31 March 2018 £000		31 March 2019 £000
(69,983)	Dedicated Schools Grant	(72,480)
(48,190)	Housing and Council Tax Benefit Administration	(42,674)
(7,140)	Department for Education	(7,523)
(8,953)	Public Health Grant	(8,723)
(6,081)	Other Revenue Grants	(10,776)
(500)	REFCUS - Community Infrastructure Levy	(290)
(9,721)	REFCUS - Department for Education	(7,349)
0	REFCUS - Department of Transport	0
(1,169)	REFCUS - Better Care Funding - Disabled Facilities Grant	(1,212)
(5,305)	REFCUS - Section 106 Developer Contribution	(598)
(272)	REFCUS - Other Grants & Contribution	0
(157,314)	**Total**	**(151,625)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the provider. The balances of capital grants and contributions receipts in advance are set out in the tables below:

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

31 March 2018 £000		31 March 2019 £000
(88)	Homes & Communities Agency - Growth Area Funding	(88)
(410)	Homes & Community Agency - Gypsy & Traveller Sites	(410)
(3,817)	Department of Education	(324)
(693)	Department of Transport	(3,078)
(10,480)	Section 106 Contributions	(11,192)
(413)	Section 278 Contributions	(611)
(2,420)	Semlep	(3,574)
0	Better Care Fund	(79)
0	Other Contributions	0
(62)	Other Grants	(52)
(18,383)	**Total**	**(19,408)**

Donated Assets Account - Long Term Liabilities

31 March 2018 £000		31 March 2019 £000
(1,077)	Sports Facilities	(962)
(1,077)	**Total**	**(962)**

Note 36 - Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council, as it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in **Note 8**. Grant receipts not yet recognised as income in the Comprehensive Income and Expenditure Statement is shown in **Note 35**.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid is shown in **Note 31**. There were no interests of a material nature declared during the year.

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.

Officers

There were no interests of a material nature declared during the year.

Other Public Bodies

The Council has two pooled budget arrangements which are detailed in **Note 30**. The Other Public Bodies involved in these arrangements are Bedfordshire Clinical Commissioning Group (BCCG) and Central Bedfordshire. Both pooled budget are related to the provision of Social Care services.

Pension Fund

Pension Fund details are set out in the Pension Fund section of this document. The Pension Fund has a separate bank account and therefore has no cash deposited with the Council. The Council charged the Fund £1.200 million in 2018/2019 (£1.300 million in 2017/2018) for expenses incurred in administering the Fund. The Council took over administering the Fund on 1 April 2009.

As at 31 March 2019, the amount due to the Council from the Pension Fund for March salaries was £0.200 million (£0 million as at 31 March 2018); with £1.600 million being owed by the Council to the Pension Fund for March pension contributions (£1.100 million as at 31 March 2018).

Entities Controlled or Significantly Influenced by the Council

The Council has interests in entities that have the controlling nature of subsidiaries. There are four trust funds (House of Industry, Norah Mavis Trust, Bedford Park and Grange Trust) which have their current assets, liabilities, income and expenditure disclosed within **Note 46**.

The most significant transaction during 2018/2019 between the Council and these entities was a payment of £0.057 million to House of Industry for the rent of St Peter's car park (£0.053 million in 2017/18).

Benedict Bedford Limited (BBL)

The Council's has a wholly owned housing development company called Benedict Bedford Limited (BBL). The following Council employees are also directors of the company:

Philip Carr (Business Partner Capital and Asset Planning)

Jill Evans (Chief Officer for Financial Control)

Craig Austin (Director of Environment).

A working capital loan of £50,000 was provided to BBL during 2018/19 which was repaid in full during the year. There were no other material transactions between the Council and BBL.

Note 37 - 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 authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing

31 March 2018 £000		31 March 2019 £000
120,795	Opening Capital Financing Requirement	129,532
	Capital Investment:	
30,029	Property Plant and Equipment	40,040
4,090	Investment Property	1,741
1,885	Intangible Assets	2,709
26,792	Revenue Expenditure Funded from Capital Under Statute	11,408
62,797	**Total Capital Spending**	**55,897**
	Sources of Finance:	
(16,755)	Capital receipts	(13,248)
(27,627)	Government Grants and other contributions	(39,891)
	Sums set aside from revenue:	
(6,654)	- Direct revenue contributions	(10,820)
(3,023)	- Minimum revenue provision	(3,551)
(54,059)	**Total Sources of Finance**	**(67,510)**
129,532	**Closing Capital Financing Requirement**	**117,919**

The Capital Financing Requirement (CFR) fell by £11.613 million during the financial year. The Capital Programme for 2018/2019 had a net income of £8.062 million. The excess funding has been created by the timing difference between capital expenditure being incurred in previous years in advance of the funding being received. The Minimum Revenue Provision charge to revenue was £3.551 million.

The below table explains how the movement in Capital Financing Requirement (CFR) has been financed by the Council. The level of unfinanced government supported CFR is expected to reduce year on year as no further government supported borrowing is anticipated. This means future capital investment will be financed by prudential borrowing or other forms of financial liabilities funded by Council Tax.

Explanation of movements in year

31 March 2018 £000		31 March 2019 £000
(3,180)	Increase in underlying need to borrow (supported by government financial assistance)	(3,052)
11,917	Increase in underlying need to borrow (unsupported by government financial assistance)	(8,919)
0	Assets acquired under finance leases	358
8,738	**Increase/(decrease) in Capital Financing Requirement**	**(11,613)**

Note 38 - Leases

Council as Lessee

The Council has acquired a number of vehicles and equipment under finance leases.
The assets acquired under these leases are classified as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Authority as Lessee - Finance Leases

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

31 March 2018 £000		31 March 2019 £000
303	Vehicles, Plant, Furniture, Equipment and Other	342
303	**Total**	**342**

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

The minimum lease payments are made up of the following amounts:

31 March 2018 £000		31 March 2019 £000
	Finance lease liabilities (net present value of minimum lease payments):	
(310)	- current	(212)
(206)	- non-current	(665)
(72)	Finance costs payable in future years	(174)
(588)	**Minimum lease payments**	**(1,051)**

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

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

Minimum Lease Payments			Finance Lease Liabilities	
31 March 2018 £000	**31 March 2019 £000**		**31 March 2018 £000**	**31 March 2019 £000**
(353)	(279)	Not later than one year	(310)	(212)
(211)	(750)	Later than one year and not later than five years	(190)	(650)
(25)	(22)	Later than five years	(16)	(15)
(588)	**(1,051)**	**Total**	**(516)**	**(877)**

The Council does not have any payments that are contingent on events taking place after the lease was entered into.

Operating Leases

The Council has acquired a number of equipment by entering into operating leases, with typical lives of 3 - 5 years. The future minimum lease payments due under non-cancellable leases in future years are:

Authority as Lessee - Operating Leases

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

31 March 2018 £000		31 March 2019 £000
75	Not later than one year	148
134	Later than one year and not later than five years	186
186	Later than five years	175
395	**Total**	**508**

The expenditure charged to the relevant Service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

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

31 March 2018 £000		31 March 2019 £000
161	Minimum lease payments	165
161	**Total**	**165**

The amount of operating lease payments and commitments have fell consistently over the last few years as the policy of ceasing lease agreements of satellite offices continues.

Council as Lessor

Finance Leases

The Council has one property leased to a third party which is classified as a finance lease. The lease agreement as at 31 March 2019 has a remaining term of 104 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The residual value is considered to be immaterial and has therefore been ignored for the purpose of the calculation. The minimum lease payments comprises settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

Authority as Lessor - Finance Leases

The gross investment is made up of the following amounts:

31 March 2018 £000		31 March 2019 £000
	Finance lease debtor (net present value of minimum lease payments):	
287	- non-current	287
287	**Gross investment in the lease**	**287**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Gross Investment in the Lease			Minimum Lease Payments	
31 March 2018 £000	31 March 2019 £000		31 March 2018	31 March 2019 £000
0	0	Not later than one year	23	23
0	0	Later than one year and not later than five years	92	92
287	287	Later than five years	2,294	2,271
287	**287**	**Total**	**2,409**	**2,386**

As at the balance sheet date, the possibility of circumstances that might result in lease payments not being made is considered immaterial, and therefore the Council has not set aside an allowance for uncollectible amounts. The Council does not have any payments that are contingent on events taking place after the commencement of the leases.

Operating Leases

The Council leases out property under operating leases for income generation, provision of community based facilities, provision of employment, business development opportunities and provision of specific services on behalf of the Council.

The future minimum lease payments receivable under non-cancellable leases in future years are set out in the following table:

Authority as Lessor - Operating Leases

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

31 March 2018 £000		31 March 2019 £000
3,730	Not later than one year	3,172
8,743	Later than one year and not later than five years	10,173
53,760	Later than five years	55,318
66,233	**Total**	**68,663**

Note 39 - Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. There were no impairments during 2018/19 or 2017/18.

Note 40 - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

Year	Retirement Contributions	Pensionable Pay
2017/2018 (actual)	£3.13 million	16.48%
2018/2019 (actual)	£3.19 million	16.48%
2019/2020 (estimate)	£3.27 million	16.48%

NHS Pension Scheme

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

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

Year	Retirement Contributions	Pensionable Pay
2017/2018 (actual)	£0.07 million	14.0%
2018/2019 (actual)	£0.05 million	14.0%
2019/2020 (estimate)	£0.15 million	14.0%

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

Note 41 - Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to disclose payments which will be due at the time an employee earns their future entitlement.

The Council participates in one post-employment scheme:

- The Local Government Pension Scheme (LGPS), administered locally by Bedford Borough Council – is a funded defined benefit salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. From 1 April 2014 the scheme became Career Average Scheme (CARE). Benefits earned in the scheme before 1 April 2014 are protected so benefits up to that date will be based on the scheme member's final year's pay.
- 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 is no investment assets built up to meet these pension 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 Local Government Pension Scheme 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. Further details can be obtained from the Pension Fund accounts starting on page 102.
- The principal risks to the authority 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 the General Fund the amounts required by statute as described in the accounting policies note.

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 services 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 via the Movement in Reserves Statement.

The tables on the following page contain all transactions relating to the Bedfordshire Pension Fund for the 2018/2019 Financial Year and comparator figures for 2017/2018. This includes;

- Transactions included in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

- Movements in the Pensions Net (Liability)/Asset

General Fund Transactions

2017/18 LGPS	2017/18 Discretionary Benefits Arrangements		2018/19 LGPS	2018/19 Discretionary Benefits Arrangements
£000	**£000**		**£000**	**£000**
		Comprehensive Income and Expenditure Statement		
		Cost of Services		
		Service cost comprising:		
22,284	0	Current service cost	16,183	0
898	0	Past service cost	768	0
0	0	McCloud Liability	1,723	0
0	0	Administration expenses	677	0
		Other Operating Expenditure:		
		Financing and Investment Income and Expenditure		
8,010	0	Net interest expense	7,986	0
31,192	**0**	**Total charged to Surplus and Deficit on Provision of Services**	**27,337**	**0**

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

£000	£000		£000	£000
		Re-measurement of the net defined benefit liability comprising:		
7,158	0	Return on plan assets (excluding the amount included in the net interest expense)	(14,230)	0
0	0	Actuarial gains and losses arising on changes in demographic assumptions	(31,919)	0
(12,894)	0	Actuarial gains and losses arising on changes in financial assumptions	42,170	0
(242)	130	Other movements in the liability / (asset)	(243)	243
(5,978)	**130**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(4,222)**	**243**
25,214	**130**	**Total charged to the Comprehensive Income and Expenditure Statement**	**23,115**	**243**

2017/18 LGPS	2017/18 Discretionary Benefits Arrangements		2018/19 LGPS	2018/19 Discretionary Benefits Arrangements
		Movement in Reserves Statement		
£000	**£000**		**£000**	**£000**
(31,192)	0	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(27,337)	0
		Actual amount charged against the general fund balance for pensions in the year:		
15,525	688	Employers' contributions payable to scheme	15,765	699

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2017/18 LGPS	2017/18 Discretionary Benefits Arrangements	Pensions Assets and Liabilities Recognised in the Balance Sheet	2018/19 LGPS	2018/19 Discretionary Benefits Arrangements
£000	£000		£000	£000
(694,551)	(10,216)	Present value of the defined obligation	(727,394)	(9,760)
390,824	0	Fair value of plan assets	416,317	0
(303,727)	(10,216)	Value of Assets / (Liabilities)	(311,077)	(9,760)
(303,727)	**(10,216)**	**Net (liability) / asset arising from the defined benefit obligation**	**(311,077)**	**(9,760)**

2017/18 LGPS	2017/18 Discretionary Benefits Arrangements	Movement in the Value of Scheme Assets	2018/19 LGPS	2018/19 Discretionary Benefits Arrangements
£000	£000		£000	£000
387,100	0	Opening fair value of scheme assets	390,824	0
10,068	0	Interest income	10,567	0
		Re-measurement gain / (loss):		
(7,158)	0	- The return on plan assets, excluding the amount included in the net interest expense	14,230	0
0	0	Other gains / (losses)	297	0
15,525	688	Contributions from employer	15,765	699
3,688	0	Contributions from employees into the scheme	3,825	0
(18,399)	(688)	Benefits / transfers paid	(18,514)	(699)
0	0	Administration expenses	(677)	0
390,824	**0**	**Closing value of scheme assets**	**416,317**	**0**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2017/18 LGPS	2017/18 Discretionary Benefits Arrangements	Movements in the Fair Value of Scheme Liabilities	2018/19 LGPS	2018/19 Discretionary Benefits Arrangements
£000	£000		£000	£000
(681,138)	(10,774)	Opening balance at 1 April	(694,551)	(10,216)
(22,284)	0	Current service cost	(16,183)	0
(18,078)	0	Interest cost	(18,553)	0
(3,688)	0	Contributions from scheme participants	(3,825)	0
		Re-measurement gains and losses:		
0	0	- Actuarial gains / (losses) from changes in demographic assumptions	31,919	0
12,894	0	- Actuarial gains / (losses) from changes in financial assumptions	(42,170)	0
242	(130)	- Other	(54)	(243)
(898)	0	Past service cost	(768)	0
0	0	McCloud Liability	(1,723)	0
18,399	688	Benefits / transfers paid	18,514	699
(694,551)	**(10,216)**	**Balance as at 31 March**	**(727,394)**	**(9,760)**

No allowance was made for the group transfers of staff between the Employer and other employers in the Fund in the years ended 31 March 2017 and 31 March 2018. The results as at 31 March 2019 have included an allowance for the group transfers that have taken place since 1 April 2016 and have been included alongside the group transfers that have taken place in the year to 31 March 2019. The impact of this is shown as a settlement and an in year cost. A breakdown of the current service cost is included in the table below:

2017/18 £000		2018/19 £000
(22,284)	Current service cost	(21,909)
0	Liabilities assumed / extinguished on settlement	5,429
0	Settlement prices received	297
(22,284)	**Total current service cost**	**(16,183)**

Local Government Pension Scheme assets comprised:

2017/18				2018/19		
Quoted £	Unquoted £	Total £		Quoted £	Unquoted £	Total £
16,830	**0**	**16,830**	**Cash and cash equivalents**	**19,983**	**0**	**19,983**
			Bonds			
0	31,202	31,202	UK Government bonds	32,473	0	32,473
0	**31,202**	**31,202**	**Subtotal Bonds**	**32,473**	**0**	**32,473**
			Real estate			
0	1,080	1,080	UK Property	0	2,498	2,498
0	**1,080**	**1,080**	**Subtotal Real estate**	**0**	**2,498**	**2,498**
			Private equity			
0	35,203	35,203	Private equity	0	39,966	39,966
0	**35,203**	**35,203**	**Subtotal Private equity**	**0**	**39,966**	**39,966**
			Investment funds			
12,395	188,251	200,646	Equities	0	0	0
30,965	0	30,965	Bonds	0	0	0
74,898	0	74,898	Other	0	0	0
118,258	**188,251**	**306,509**	**Subtotal Investment funds**	**0**	**0**	**0**
			Infrastructure			
0	**0**	**0**	**Subtotal Infrastructure**	**0**	**2,914**	**2,914**
			Abolsute Return			
0	**0**	**0**	**Subtotal Abolsute Return**	**77,851**	**0**	**77,851**
			Unit Trusts			
0	**0**	**0**	**Subtotal Unit Trusts**	**73,272**	**132,389**	**205,661**
			Corporate Bonds UK			
0	**0**	**0**	**Subtotal Corporate Bonds UK**	**34,971**	**0**	**34,971**
135,088	**255,736**	**390,824**	**Total Assets**	**238,550**	**177,767**	**416,317**

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 assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

The significant assumptions used by the actuary have been:

2017/18	LGPS	2018/19
Long term expected rate of return on assets		
2.7%	Bonds	2.4%
2.7%	Real estate	2.4%
2.7%	Private equity	2.4%
2.7%	Investment funds	2.4%
Mortality assumptions		
Longevity at retirement for current pensioners		
22.4	Men	20.7
24.5	Women	23.2
Longevity at retirement for future pensioners		
24.0	Men	21.7
26.2	Women	24.7
Other assumptions		
2.7%	Rate of increase in salaries	2.7%
2.4%	Rate of increase in pensions	2.4%
2.7%	Rate for discounting scheme liabilities	2.4%

Impact of assumption on the obligation

Impact of assumptions on the obligation:

Increase by 1%	LGPS	Decrease by 1%
£000	Assumption	£000
(27,469)	Longevity	26,449
(1,811)	Rate of increase in salaries	1,796
(11,882)	Rate of increase in pensions	11,660
13,443	Rate for discounting scheme liabilities	(13,706)

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

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

Note 42 - Contingent Liabilities

Two contingent liabilities are disclosed:

- Following an accident in the bus station in 2015 the Health and Safety Executive are taking legal action against the Council. Liability has been accepted and the case could result in legal costs and fine.
- As part of the Western Bypass construction an Agreement was reached with Network Rail in relation to air rights (the right to put a bridge through a defined block of air above the railway land). No value was confirmed, but valuation ranged from £0 to £3 million.

Note 43 - Contingent Assets

At 31 March 2019, the Council had no known material 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 will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity risk – the possibility that the Council might not have cash available to make contracted payments on time.
- Market risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

The Council's overall risk management programme focuses 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 Treasury Team using policies approved by Full Council which are outlined 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 exposures 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, as laid down by recognised credit rating agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swaps and equity prices.

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

- Council investments are with Central Government, other Local Authorities or institutions with a high credit rating
- The Council considers the ratings of each of the three major credit rating agencies (Fitch, Moody's and Standard & Poors) in establishing the criteria that shall apply to its investment decisions; the lowest of the three ratings shall apply
- Fitch credit rating or equivalent has been determined by the Council to be the minimum long term credit rating as "high".
- The maximum that may be deposited with each institution is £5 million for secured deposit takers, £3 million for unsecured deposit takers and £20 million aggregate with AAA rated money market funds. There is no limit on the level of investment with Central Government.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies is negligible although they are used from time to time. The risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

No counterparty credit limits were exceeded during the reporting period, and furthermore the Council would not expect any investment losses from counterparties of fixed term deposits or bonds.

The Council does not enter into customer credit arrangements, and as such a significant amount (£6,158 million) of the total balance of £11.588 million is past its due date for payment. The outstanding amount can be analysed by age as follows:

Credit Risk - Debtors	**31 March 2018**	**31 March 2019**
	£000	**£000**
Less than three months	6,166	5,430
Three to six months	795	1,697
Six months to one year	1,779	1,459
More than one year	2,885	3,002
	11,625	11,588

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available for operational requirements. If unexpected movements occur, the Council is capable of accessing short term funds from the money markets, Public Works Loan Board and other Local Authorities. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Nonetheless, 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 is achieved using a strategy to ensure that not more than 15% of loans are due to mature within any one year through a combination of careful planning of new loans and assessing the potential to make early repayments. The maturity analysis of financial liabilities is set out in the following table:

Liquidity Risk	31 March 2018	31 March 2019
	£000	£000
Less than one year	(3,958)	(3,934)
Between one and two years	(3,314)	(2,305)
Between two and five years	(7,796)	(10,143)
More Than 5 Years	(15,816)	(15,981)
More Than 10 years	(43,437)	(38,704)
	(74,321)	(71,067)

It is assumed that LOBO borrowing will continue to final maturity; these borrowings allow the lender to reset the interest rate on the loan every six months. Due to the low interest rate environment it is unlikely that the lender will exercise its option, and therefore trigger the repayment of these loans. The maturity data is therefore uncertain. All trade and other payables are due to be paid in less than one year.

Market risk - Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of 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 Other Comprehensive Income and Expenditure.

The Council's Annual Investment Strategy incorporates a number of measures to manage interest rate risk. The measures aim to keep a maximum of 75% of its net borrowings (by reference to the interest payable) 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 Annual Investment Strategy incorporates active measures for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This strategy allows any adverse changes to be accommodated. The mechanism will also inform whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Market Risk - Interest Rate Risk	31 March 2019 £000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(718)
Increase in government grant receivable for financing costs	(694)
Impact on Surplus or Deficit on the Provision of Services	**(1,411)**
Decrease in fair value of fixed rate investment assets	(117)
Impact on Other Comprehensive Income and Expenditure	**0**
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)	**0**

Price risk

The council has investments in pooled funds through the purchase of shares in these funds, the shares are valued every business day and so the Council is exposed to movements in price.

The investments are classified as 'Fair Value through Profit and Loss', meaning that all movements in price will impact on gains and losses recognised in the Surplus or Deficit on the Provision of Services. However a statutory override reverses the impact on the General Fund unless the investments are sold. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.959 million gain or loss being recognised in the Surplus or Deficit on the Provision of Services.

Foreign exchange risk

The Council has no financial asset or liability held in foreign currency denominations, and thus has no exposure to any losses arising from movements in exchange rates.

Note 45 - Heritage Assets Further Information

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

The Council has reviewed the definition of heritage assets and has concluded that the Council has the following heritage assets that required reviewing:

- Historical assets held in Archives
- Art Gallery and Museum artefacts
- Mayor's Chain, Mace, and other Civic Regalia.

In line with the accounting policy on Heritage Assets, the Council has separately recognised some of these assets on its Balance Sheet. Some assets have not been recognised in the Balance Sheet due to the disproportionate cost of obtaining valuations. In addition to the above, there are some assets previously classified as Community Assets, for example: Bromham Mill, Moot Hall and Castle Mound.

Note 46 - Trust Funds

The main funds for which the council acts as sole trustee are listed below. These are not assets of the Council and have not been included in the Balance Sheet.

2018/19

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
House of Industry	(337)	309	5,844	(616)
Grange Trust	(55)	20	334	0
Norah Mavis Campbell	(3)	4	72	0
Bedford Park	(86)	86	243	0
Total	**(481)**	**419**	**6,493**	**(616)**

2017/18

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
House of Industry	(579)	200	5,745	(600)
Grange Trust	(56)	9	301	0
Norah Mavis Campbell	(2)	4	72	0
Bedford Park	(96)	96	161	(2)
Total	**(733)**	**309**	**6,279**	**(602)**

(a) House of Industry Estate

Set up under the Bedford Corporation Act 1964, the estate owns significant land holdings, income from which (together with investment income) is used to provide financial assistance within the scheme approved by the Charity Commissioners. The current scheme was effective from 1 April 1988.

(b) Grange Trust

The Council also maintains the Grange a property in Addison Howard Park. This was left to the Council to provide social housing. Any surplus on this account is retained to provide a contribution towards the upkeep of the building. The assets held by the Trust are not included in the Balance Sheet, as they are not Borough Council Assets

(c) Norah Mavis Campbell

Created in 1999 and transferred from the County Council. The Trust’s objective is to provide benefit to elderly people in need who reside within the area of the Borough.

(d) Bedford Park

The purpose of the charity is the preservation of Bedford Park in perpetuity by the use of the Council as the conservator of Bedford Park, as an open space for the recreation and enjoyment of the public.

Note 47 - Transition to IFRS 9 - Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets (and the remeasurement of modified loan liabilities).

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown within the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31 March 2018 £000	Reclassification £000	Remeasurement £000	Impairment £000	IFRS 9 1 April 2018 £000
FINANCIAL ASSETS					
Investments					
L&R /Amortised cost	15,600				15,600
Available for sale / FVOCI	29,298	(29,298)			0
FVPL		29,298			29,298
Total Investments	**44,898**	**0**	**0**	**0**	**44,898**
Debtors					
L&R /Amortised cost	32,364				32,364
Available for sale / FVOCI					
FVPL					
Total debtors	**32,364**	**0**	**0**	**0**	**32,364**
Cash & cash equivalents					
L&R /Amortised cost					
Available for sale / FVOCI					
FVPL					
Total cash & equivalents	**0**	**0**	**0**	**0**	**0**
TOTAL FINANCIAL ASSETS	**77,262**	**0**	**0**	**0**	**77,262**
FINANCIAL LIABILITIES					
Borrowing					
Amortised cost	(74,321)				(74,321)
Creditors					
Amortised cost	(33,105)				(33,105)
Provisions					
Guarantees & commitments					
Other long-term liabilities					
Amortised cost	(206)				(206)
TOTAL FINANCIAL LIABILITIES	**(107,632)**	**0**	**0**	**0**	**(107,632)**
NET FINANCIAL ASSETS	**(30,370)**	**0**	**0**	**0**	**(30,370)**

	IAS 39 31 March 2018 £000	Reclassification £000	Remeasurement £000	Impairment £000	IFRS 9 1 April 2018 £000
RESERVES					
Usable Reserves					
General Fund	(13,876)				(13,876)
Other usable reserves	(43,477)				(43,477)
Total usable reserves	**(57,353)**	**0**	**0**	**0**	**(57,353)**
Unusable Reserves					
Available for sale reserve	(217)	217			0
Capital adjustment account	(384,547)				(384,547)
Deferred capital receipts	(14,961)				(14,961)
FI adjustment account	211				211
FI revaluation reserve	0	(217)			(217)
Other unusable reserves	221,254				221,254
Total unusable reserves	**(178,260)**	**0**	**0**	**0**	**(178,260)**
TOTAL RESERVES	**(235,613)**	**0**	**0**	**0**	**(235,613)**

Collection Fund

These accounts represent the transactions of the Collection Fund, which is a statutory fund under the provisions of the Local Government Finance Acts 1988, 1992 and 2012, and covers all Council Tax and National Non-Domestic Rates (NNDR). Bedford Borough being the billing authority maintains this account.

31 March 2018				31 March 2019		
Business Rates £000	**Council Tax £000**	**Total £000**	**Collection Fund**	**Business Rates £000**	**Council Tax £000**	**Total £000**
			INCOME:			
	(99,586)	(99,586)	Council Tax Receivable		(105,893)	(105,893)
(64,782)		(64,782)	Business Rates Receivable	(66,848)		(66,848)
4,977	0	4,977	Transitional Protection Payments Receivable	2,698	0	2,698
(59,805)	**(99,586)**	**(159,391)**	**Total amounts to be credited**	**(64,150)**	**(105,893)**	**(170,043)**
			EXPENDITURE:			
			Apportionment of Previous Year Surplus/Deficit:			
0		0	Central Government	(867)		(867)
0	1,908	1,908	Bedford Borough Council	(850)	1,908	1,058
0	126	126	Bedford Fire & Rescue Authority	(17)	123	105
0	225	225	Police & Crime Commisioner for Bedfordshire	0	219	219
			Precepts, demands and shares:			
29,655		29,655	Central Government	30,744		30,744
29,040	82,110	111,150	Bedford Borough Council	30,129	87,729	117,858
593	5,273	5,866	Bedford Fire & Rescue Authority	615	5,594	6,209
0	9,437	9,437	Police & Crime Commisioner for Bedfordshire	0	10,422	10,422
			Charges to Collection Fund:			
77	(7)	71	Write-offs of uncollectable amounts	161	155	316
(262)	503	240	Increase/(decrease) in allowance for impairment	5	655	660
2,099		2,099	Increase/(decrease) in allowance for appeals	1,945		1,945
236		236	Charge to General Fund for allowable collection costs for non-domestic rates	228		228
			Other transfers to General Fund in accordance with non-domestic rates regulations			
573		573	Renewable Energy	659		659
			Opening Balance Adjustment	20		20
62,011	**99,575**	**161,586**	**Total amounts to be debited**	**62,771**	**106,805**	**169,576**
2,206	**(12)**	**2,194**	**(Surplus)/Deficit arising during the year**	**(1,379)**	**912**	**(467)**
343	**(2,576)**	**(2,233)**	**(Surplus)/Deficit b/f at 1 April 2018**	**2,548**	**(2,588)**	**(39)**
2,548	**(2,588)**	**(39)**	**(Surplus)/Deficit c/f at 31 March 2019**	**1,169**	**(1,675)**	**(506)**

Both the billing authority and major preceptors (i.e. the Police & Crime Commissioner for Bedfordshire, Bedfordshire Fire & Rescue Authority and Central Government) are required to accrue the income for the year in their own accounts. Since the collection of Council Tax and NNDR are agency functions the cash collected, and any unpaid sums are shared proportionately between the major preceptors and billing authority. This resulting debtor/creditor position is shown in each authority's accounts.

Notes to the Collection Fund

Council Tax is charged on residential properties, which are classified into one of eight valuation bands based on estimated values at 1 April 1991.

The Band D tax is calculated by dividing the total amount of income required by the Collection Fund to pay the Borough, Police and Fire precepts for the forthcoming year by the Council tax base. The Council tax base used in the calculation is based on the number of dwellings in each band on the Valuation list at the relevant date, adjusted for exemptions, discounts and disabled banding changes.

The tax base for 2018/2019 was 58,412.17 Band D equivalent properties, (56,816 equivalents for 2017/2018). The tax base calculation is shown below:

Note 1 - Council Tax Income

2018/19

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,000	5,902	6/9	3,935
B	40,001 - 52,000	13,190	7/9	10,259
C	52,001 - 68,000	15,079	8/9	13,404
D	68,001 - 88,000	10,639	9/9	10,639
E	88,001 - 120,000	7,397	11/9	9,040
F	120,001 - 160,000	4,850	13/9	7,006
G	160,001 - 320,000	2,826	15/9	4,710
H	More than - 320,001	210	18/9	420
			Adjustment	(891)
			Council tax base	**58,521**

2017/18

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
	£	No		No
A	Upto and including - 40,000	5,594	6/9	3,729
B	40,001 - 52,000	12,733	7/9	9,904
C	52,001 - 68,000	14,626	8/9	13,001
D	68,001 - 88,000	10,220	9/9	10,220
E	88,001 - 120,000	7,274	11/9	8,891
F	120,001 - 160,000	4,762	13/9	6,879
G	160,001 - 320,000	2,782	15/9	4,637
H	More than - 320,001	211	18/9	421
			Adjustment	(865)
			Council tax base	**56,816**

The total non-domestic rateable value on 31 March 2019 was £162.9 million (£162.4 million 31 March 2018) and the Business Rate Multiplier for the year is 48p (46.6p 2017/2018).

A split of the Collection Fund balances share by major preceptor is shown below:

2017/2018		**Analysis of Collection Fund Balance by Major Preceptors**	**2018/2019**	
NNDR	**Council Tax**		**NNDR**	**Council Tax**
£000	**£000**		**£000**	**£000**
1,274		Central Government	584	
1,248	(2,194)	Bedford Borough Council	573	(1,423)
	(253)	Police & Crime Commissioner for Bedfordshire		(162)
25	(141)	Bedfordshire Fire & Rescue Authority	12	(91)
2,548	**(2,588)**	**Balance at 31 March**	**1,169**	**(1,676)**

Bedfordshire Pension Fund Statements

Fund Account for the Year Ended 31 March 2019

2017/2018 £000		2018/2019 £000	See Note
	Contributions and Benefits		
117,314	Contributions	126,934	6
40,883	Transfers in from other pension funds	9,812	7
67	Other Income	47	
158,264		**136,793**	
-90,278	Benefits	-97,734	8
-7,980	Payments to and on account of leavers	-30,497	9
60,006	**Net additions/(withdrawals) from dealings with members**	**8,562**	
-8,302	Management Expenses	-8,165	10
51,704	**Net additions/(withdrawals) including Management Expenses**	**397**	
	Returns on Investments		
10,138	Investment income	9,317	11
-80	Taxes on income	-36	
39,157	Profit and losses on disposal of investments and changes in value of investments	114,733	12a
49,215	**Net return on investments**	**124,014**	
100,919	Net increase/(decrease) in the fund during the year	124,411	
2,073,710	Opening Net Assets of the Fund	2,174,629	
2,174,629	**Closing Net Assets of the Fund**	**2,299,040**	

Net Assets Statement for the Year Ended 31 March 2019

31 March 2018 £000		31 March 2019 £000	See Note
0	Long Term Investment Assets	833	12.1
0	**Total Long Term Investment Assets**	**833**	
2,065,556	Investment Assets	2,245,055	12.2
0	Investment Liabilities	0	12.3
2,065,556	**Total Net Current Investments**	**2,245,055**	
2,065,556	**Total Net Investments**	**2,245,888**	
1,194	Long Term Assets	608	18
109,007	Current Assets	75,165	19
-1,128	Current Liabilities	-22,621	20
2,174,629	**Net assets of the fund available to fund benefits at the end of the Reporting Period**	**2,299,040**	

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Pension Note 17.

Notes to the Accounts

1) Description of the Pension Fund

The Bedfordshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Bedford Borough Council. The Borough Council is the reporting entity for the Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Bedfordshire Pension Fund Annual Report & Accounts 2018/2019 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The LGPS (Administration) Regulations 2013 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

Local Government Pension Funds are required to be funded, being financed by contributions from employees, employers and by earnings from investments. Triennial actuarial valuations are undertaken and employers' contributions are reviewed to ensure that the Fund's assets are sufficient to meet its funding targets.

Membership of the Fund

The Fund is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Bedford Borough, Central Bedfordshire and Luton Borough Councils and a range of other scheduled and admitted bodies within the Bedfordshire area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes.

Organisations participating in the Fund include:-

- Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31 March 2019, the total number of employees (i.e. from Councils within Bedfordshire and the other scheduled and admitted bodies) contributing to the Fund was 22,404 (22,275 at 31 March 20187), the number of pensioners was 17,435 (16,436) and the number of deferred pensioners was 30,890 (30,160).

A full list of participating bodies as at 31 March 2019 is shown at the end of this section.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Core Benefits of the Scheme

From 1 April 2014 the scheme became a Career Average Scheme (CARE). Benefits earned in the Scheme before 1 April 2014 are protected so benefits up to that date will be based on the scheme member's final year's pay.

The benefits payable from the Fund are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary are:-

- A guaranteed annual pension based on the pay received during the year and revalued in line with earnings.
- An optional tax free lump sum by commuting part of the pension.
- Life assurance of three times the members' yearly pay from the day they join the scheme.
- Pensions for spouses, civil registered partners, qualifying cohabiting partners and eligible children on the death of the member.
- An entitlement paid early if a member has to stop work permanently due to permanent ill health.
- Inflation proofed preserved pensions and pensions in payment.
- Pensions payable from age 55, including (with the employers consent) flexible retirement and early retirement.
- The option to contribute a reduced contribution for a reduced benefit - the 50/50 option.

NB scheme members must have a minimum of two years' membership to qualify for a pension

Full details of the contributions payable by employees and benefits receivable can be found in the Fund's scheme handbook "Guides to the Local Government Pension Scheme", available from Borough Hall and available in full or in summary on the Fund's website.

http://www.bedspensionfund.org/active_members/guides_to_the_lgps.aspx

2) Basis of Preparation

The accounts are compliant with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 (the Code), which is based on International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts of the Pension Fund have also been prepared to meet the requirements of the Local Government Pension Scheme (Administration) Regulations 2013 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes.

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits, either in the net assets statement, in the notes to the accounts or in an accompanying actuarial report. The financial statements include a separate actuarial report to meet this requirement.

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. They should therefore be read in conjunction with the actuarial reports which take account of such liabilities.

The accounts have been prepared on a going concern basis unless otherwise stated.

New Accounting Standards

For any new accounting standard or policy introduced, the Pension Fund is required to provide information explaining how these changes have affected the accounts.

There were no new accounting standards introduced in 2018/2019 affecting the Pension Fund.

3) Significant Accounting Policies

Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date. Employer’s augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

Benefits Payable

All pensions and lump sum payments have been included on the accruals basis other than some death gratuities. The payment of some death gratuities is dependent upon the receipt of probate or letters of administration. Where death occurs before the end of the year but probate or letters of administration have not yet been received by the balance sheet date, then no accrual is made. The departure from the accruals basis for these death gratuities does not materially affect the reported figure.

Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Only benefits paid under local government pension scheme regulations are included in the Fund account. For administrative ease, the Fund also pays out compensatory added years benefits on behalf of scheme employers; these are refunded in full by the employer. Both the benefit paid and the subsequent reimbursements are excluded from the Fund account.

Refunds of Contributions

Refunds have been included on a cash basis. Accounting for refunds on an accruals basis would not materially alter the reported figure.

Transfer Values

Transfer values to and from other schemes have been included on a cash basis. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Management Expenses

The Code of Practice does not require any breakdown of pension fund administrative expenses. However in the interests of greater transparency, the Fund discloses its management expenses in accordance with CIPFA Guidance on Accounting for LGPS management expenses.

Administrative Expenses

The administration of the Fund is undertaken by the Borough Council in its role as administering authority. The Council's costs of administering the scheme, agreed by the relevant committees of both the Council and the Pension Fund, are charged to the Fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

Fees of the external investment managers and the Fund's custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the Fund has negotiated with the following managers that an element of their fee be performance related.

- Insight Investment – Absolute Return Bonds
- Aberdeen Standard Investments - Private Equity
- Pantheon Ventures – Real Assets

Where an investment manager's fee note has not been received by 31 March 2019, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund account.

Following guidance from CIPFA, Accounting for Local Government Pension Scheme Management Expenses, the Fund extracts transactional costs from Funds where the information is available to make an estimate or where this is readily available from the Custodian. This is included within the investment management costs. For the Property Manager management costs have been extracted reflecting the unit management costs based on the NAV (Net Asset Value) of each separate fund.

Investments

Investments are shown in the accounts at market value, determined as follows:

(i) Quoted securities are valued by reference to market bid price at the close of business on 31 March 2019.
(ii) Traded futures are valued by reference to their exchange prices as at 31 March 2019.
(iii) Other unquoted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.
(iv) Unit trust and managed fund investments are valued by reference to the latest bid prices quoted by their respective managers prior to 31 March 2019. If bid prices are unavailable, mid prices or net asset value will be used.
(v) Assets, including investments, denominated in foreign currencies are valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2019. Exchange gains and losses arising from movements in current assets and liabilities are included in the Fund account for the year.

Investment assets include cash balances held by the Fund managers and debtor and creditor balances in respect of investment activities.

Investment Income

(i) Interest Income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
(ii) Dividend Income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
(iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
(iv) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Acquisition Costs of Investments

Where shown, the cost of investments includes direct costs of acquisition.

Additional Voluntary Contribution (AVC) Investments

Bedford Borough Council as the Administering Authority has arrangements with its AVC providers to enable employees to make additional voluntary contributions (AVCs) to supplement their pension benefits. AVCs are invested separately from the Fund's main assets and the assets purchased are specifically allocated to provide additional benefits for members making AVCs. The value of AVC assets is not included in the Fund's net asset statement.

Taxation

The Fund is an exempt approved fund under section 1(1) of Schedule 36 of the Finance Act 2004, and as such is exempt from tax on capital gains and from UK income tax on interest receipts. As the Council is the administering authority for the Fund, VAT is recoverable on all expenditure where appropriate, and all of the Fund's income is outside the scope of VAT.

The Fund is liable to tax at a rate of 20% on small pensions that have been compounded into a lump sum.

The Fund is exempt from United States withholding tax.

Where the Fund is subject to other foreign tax, income is shown as the grossed up figure and the tax withheld as an item of expenditure.

New Accounting Standards

For any new accounting standard or policy introduced, the Pension Fund is required to provide information explaining how these changes have affected the accounts.

There were no new accounting standards introduced in 2018/2019 affecting the Pension Fund.

Accounting Standards that have been issued but have not yet been adopted

The Pension Fund is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Pension Fund.

There are no such disclosures.

Events after the reporting date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
(b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

An example of an adjusting event would be if new information came to light regarding the methodology employed in the valuation of an asset.

4) Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The pension fund liability is calculated every three years by the Fund's actuary in line with the regulations, with annual updates in the intervening years. The methodology used is in accordance with International Accounting Standard (IAS) 19. Assumptions underpinning the valuations are agreed between the Fund and the Actuary and are summarised in the Actuarial Report on page 122. This estimate is subject to significant variances based on changes to the underlying assumptions.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Unquoted Investments

The fair value of unquoted securities is estimated by the Fund's investment managers and subject to the professional judgement and assumptions used by those managers. It is considered that changes in those assumptions would not produce significant variations in the value of those assets other than normal market fluctuations.

5) Assumptions made About the Future and Major Sources of Estimation Uncertainty

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

The items in the net asset statement at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice on the assumptions to be applied	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings would increase the value of liabilities and an increase assumed life expectancy would increase the liability
Private Equity	Private equity investments are valued at fair value in accordance with the British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation	There is a risk that these may be over or understated in the accounts

6) Contributions Receivable

2017/2018 £000	**Contributions**	**2018/2019 £000**
24,047	Employees' normal contributions	25,340
314	Employees' additional voluntary contributions	380
65,249	Employers' normal contributions	69,453
25,342	Employers' deficit funding	29,481
2,363	Employers' augmentation contributions	2,280
117,314		**126,934**
19,210	Administering authority	19,977
86,185	Scheduled bodies	95,150
11,919	Admitted and other bodies	11,807
117,314		**126,934**

Employers' augmentation contributions relate to payments for the cost of enhanced benefits and early retirements. Refunded payments from employers in respect of compensatory added years' benefits are excluded from the accounts.

7) Transfers In From Other Pension Funds

2017/2018 £000	**Transfers in from other pension funds**	**2018/2019 £000**
25,000	Transfers in from other pension funds - bulk	0
15,883	Individual transfers from other pension funds	9,812
40,883		**9,812**

There were no bulk transfers into the Fund in 2018/2019. In 2017/2018 the Tresham College bulk transfer to Bedford College was £25 million.

8) Benefits Payable

2017/2018 £000	Benefits	2018/2019 £000
72,432	Pensions	77,339
15,889	Commutations of pensions and lump sum retirement benefits	17,270
1,957	Lump sum death benefits	3,125
90,278		**97,734**
	Further analysed as:	
12,715	Administering authority	12,303
68,064	Scheduled bodies	75,912
9,499	Admitted and other bodies	9,519
90,278		**97,734**

Payments to employees in respect of compensatory added years' benefits are excluded from the accounts

9) Payments To and On Account of Leavers

2017/2018 £000	Payments to and on account of leavers	2018/2019 £000
831	Refunds of contributions	574
0	Transfers to other schemes – bulk	21,000
6,995	Transfers to other schemes – individuals	8,437
107	Annual Allowance - Tax Charge	486
47	Lifetime Allowance - Tax Charge	0
7,980		**30,497**

There were no bulk transfers out in 2017/2018. Barnfield College transferred to Hertfordshire Pension Fund from 1 February 2019. No payment has been made, however in line with the accounting policies an accrual of the estimated value of £21 million, as advised by the actuary, has been made.

The Annual Allowance Tax Charge is on behalf of individual scheme members who exceeded the annual allowance and used the Scheme Pays facility which permits members to opt for the LGPS to pay the tax charge, which is then recovered from the member's pension benefits.

The Lifetime Allowance Tax Charge is on behalf of individual members who exceeded the lifetime allowance and used the Scheme Pays facility which permits members to opt for the LGPS to pay the tax charge, which is then recovered from the member's pension benefits.

10) Management Expenses

2017/2018 £000	Management Expenses	2018/2019 £000
1,640	Administrative Costs	1,256
6,054	Investment Management Expenses	5,966
608	Oversight and Governance Costs	943
8,302		**8,165**

The external audit fees paid in 2018/2019 was £0.031 million and £0.024 million in 2017/2018.

A further breakdown of the investment management expenses is shown below:-

2017/2018 £000	Investment Management Expenses	2017/2018 £000
0	Transaction Costs	62
4,048	Management Fees	4,086
271	Performance Related Fees	0
1,686	Underlying Property Fees	1,751
49	Custody Fees	67
6,054		**5,966**

11) Investment Income

2017/2018 £000	Investment Income	2018/2019 £000
29	Dividends from equities	0
9,607	Income from pooled investment vehicles	7,917
502	Interest on cash deposits	1,400
10,138	**Total Investment Income**	**9,317**

12) Investments

2017/2018		2018/2019	
£000	Investments	£000	Note
	Long Term Investments		
0	Pool Share Capital	833	**12.1**
0	**Total Long Term Investments**	**833**	
	Equities		
0	UK quoted equities	0	
0	Overseas quoted equities	0	
0	**Total Equities**	**0**	**12.2**
	Managed and Unitised Funds		
3	UK un-authorised unit trusts	0	
1,208,075	UK insurance managed funds	1,420,997	
189,951	UK property unit trusts	214,788	
623,890	Overseas unit trusts	537,456	
8,112	Private Equity	16,190	
0	Infrastructure	15,665	
2,030,031	**Total Managed and Unitised Funds**	**2,205,096**	**12.2**
	Cash Deposits & Other Investment Assets		
0	Amount receivable for sales of investments	0	
46	Investment income outstanding	116	
46	**Other Investment Assets**	**116**	
35,479	Cash deposits	39,843	
35,525	**Total Cash and Other Investment Assets**	**39,959**	**12.2**
	Investment Liabilities		
0	Other liabilities	0	
0	**Total Other Liabilities**	**0**	**12.3**
2,065,556	**Total**	**2,245,888**	

12a Value of Investments					
2018/2019	**Market Value at 31 March 2018**	**Purchases at cost & derivative payments**	**Sale proceeds & derivative receipts**	**Change in Market Value**	**Market Value at 31 March 2019**
	£0	**£0**	**£0**	**£0**	**£0**
Long Term Investments					
Pool Share Capital	0	833	0	0	833
Equities					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Managed Funds	**1,208,075**	**6,989**	**0**	**205,933**	**1,420,997**
Unit Trusts					
Property	189,951	38,534	-17,497	3,800	214,788
Other	632,005	46,964	-12,921	-96,737	569,311
	821,956	**85,498**	**-30,418**	**-92,937**	**784,099**
Other Assets	**0**	**0**	**0**	**0**	**0**
Total	**2,030,031**	**93,320**	**-30,418**	**112,996**	**2,205,929**
Cash	**35,525**				38,222
Currency Movements				1,737	1,737
	35,525				**39,959**
Total	**2,065,556**				**2,245,888**

12.b Value of Investments 2017/2018	Market Value at 31 March 2017	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Market Value at 31 March 2018
	£000	**£000**	**£000**	**£000**	**£000**
Equities					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Managed Funds	**1,207,384**	**12,000**	**-28,200**	**16,891**	**1,208,075**
Unit Trusts					
Property	185,816	15,213	-25,319	14,241	189,951
Other	600,697	32,309	-9,026	8,025	632,005
	786,513	**47,522**	**-34,345**	**22,266**	**821,956**
Other Assets	**0**	**0**	**0**	**0**	**0**
Total	**1,993,897**	**59,522**	**-62,546**	**39,157**	**2,030,031**
Cash & other	**16,222**				**35,525**
Total	**2,010,119**				**2,065,556**

12.c Investments Analysed by Fund Manager

2017/2018 £ million	2017/2018 %	Fund Manager	2018/2019 £ million	2018/2019 %
376,627	17.32%	Legal & General - Global Equities	537,898	23.40%
308,794	14.20%	Blackrock - Equities	344,686	14.99%
217,544	10.00%	CBRE - Indirect Property	227,643	9.90%
190,503	8.76%	Legal & General - UK Equities	199,482	8.68%
174,876	8.04%	Insight - Absolute Return Bonds	193,245	8.41%
176,903	8.13%	Blackrock -Gilts inc. Index Linked	185,709	8.08%
148,415	6.82%	Pyrford-Absolute Return Multi-Asset	153,618	6.68%
155,249	7.14%	Invesco - Absolute Return Multi Asset	153,220	6.66%
114,493	5.26%	Newton - Absolute Return Multi Asset	122,546	5.33%
67,560	3.11%	Blackrock - Emerging Markets	68,046	2.96%
9,267	0.43%	Sl Capital - Private Equity	17,309	0.75%
0	0.00%	Pantheon - Infrastructure	15,665	0.68%
0	0.00%	Pool Share Capital - Equities	833	0.04%
118,547	5.45%	Trilogy - Global Equities	0	0.00%
2,058,778	94.67%	Net Assets Managed by External Bodies	2,219,900	96.56%
115,851	5.33%	Net Assets Managed by the Administering Authority	79,139	3.44%
2,174,629	**100.00%**	**Total Assets**	**2,299,040**	**100.00%**

It is required to disclose where there is a concentration of investment (other than in the UK Government Securities) which exceeds a 5% of the total value of the net assets of the scheme. The investments that fall into this category are as follows:-

2017/2018 £000	% of Total Market Value	Managed and Unitised Investment	2018/2019 £000	% of Total Market Value
567,130	26.08%	Legal & General	737,380	32.07%
485,697	22.43%	Blackrock Advisers	530,395	23.07%
174,876	8.04%	Insight	193,245	8.41%
148,415	6.82%	Pyrford	153,618	6.68%
155,249	7.14%	Invesco	153,220	6.66%
114,493	5.26%	Newton	122,546	5.33%
118,547	5.45%	Trilogy	0	0.00%

12.d Stock Lending

The Fund did not undertake any stock lending during 2018/2019.

13) Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value.

Asset Type	Level	Valuation Basis	Observable and Unobservable Inputs	Key Sensitivities
Market quoted Investments	1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments - overseas unit trusts	2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV - based principal set on a forward pricing basis	Not required
Pooled investments - property funds quoted	2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV - based principal set on a forward pricing basis	Not required
Pooled investments - property funds unquoted	3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV - based principal set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Private Equity	3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2012)*	EBITDA multiple revenue multiple discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Sensitivity of Assets Valued at Level 3

Based on an analysis historical data, current market trends, information supplied by our Investment Managers and Bedfordshire Fund Policy Documents, the Fund has determined that the valuation methods described below are likely to be accurate to within the following range, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Level 3 Assets	**Valuation Range +/-**	**Value at 31 March 2019 £000**	**Valuation Increase £000**	**Valuation Decrease £000**
Property Unit Trust	14	145,082	165,394	124,771
Private Equity	29	16,190	20,885	11,495
Infrastructure	29	15,665	20,207	11,122
		176,938	**206,486**	**147,388**

Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise of quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Loans and Receivables are included in Level 1 within which there are cash, debtors and creditors.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data

The following table provides the analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	31 March 2019			
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through profit and loss	690,676	1,338,314	176,938	2,205,929
Loans and Receivables	111,877			111,877
Total Financial Assets	**802,554**	**1,338,314**	**176,938**	**2,317,806**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-11			-11
Financial liabilities at amortised cost	-22,610			-22,610
Total financial liabilities	**-22,621**	**0**	**0**	**-22,621**
Net financial assets	**779,933**	**1,338,314**	**176,938**	**2,295,185**

	31 March 2018			
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through profit and loss	779,138	1,129,352	121,541	2,030,031
Loans and Receivables	138,156	0	0	138,156
Total Financial Assets	**917,294**	**1,129,352**	**121,541**	**2,168,187**
Financial Liabilities				
Financial Liabilities at Fair Value through profit and loss	0	0	0	0
Financial Liabilities at amortised cost	-1,128	0	0	-1,128
Total Financial Liabilities	**-1,128**	**0**	**0**	**-1,128**
Net Financial Assets	**916,166**	**1,129,352**	**121,541**	**2,167,059**

The following assets have been carried at cost (no investment assets were carried at cost in 2017/18):

Values at 31 March 2019	Level 1	Level 2	Level 3	Total
	£	£	£	£
Share Capital in Border to Coast Pool	0	0	833	833
Investments held at cost	**0**	**0**	**833**	**833**

Reconciliation of Fair Value Measurement within Level 3

	2017/2018	Transfer Into of Level 3	Transfer Out of Level 3	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	2018/2019
	£000	£000	£000	£000	£000	£000	£000	£00
Equity	8,112	0	0	8,619	-5,455	4,730	186	16,190
Infrastructure	0	0	0	15,305	-251	571	40	15,665
Property	113,429	24,280	0	20,086	-17,496	4,783	1	145,083
	121,541	**24,280**	**0**	**44,010**	**-23,203**	**10,084**	**227**	**176,938**

14) Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

2017/2018 Designated as fair value through profit & loss £000	2017/2018 Loans & receivables £000	2017/2018 Financial liabilities at amortised cost £000		2018/2019 Designated as fair value through profit & loss £000	2018/2019 Loans & receivables £000	2018/2019 Financial liabilities at amortised cost £000
			Financial Assets			
0	0	0	Equities	833	0	0
2,030,031	0	0	Managed & unitised funds	2,205,096	0	0
0	118,937	0	Cash	0	107,672	0
0	46	0	Other investment assets	0	116	0
0	19,173	0	Debtors	0	4,089	0
2,030,031	**138,156**	**0**		**2,205,929**	**111,877**	**0**
			Financial Liabilities			
0	0	0	Other investment liabilities	0	0	0
0	0	-1,128	Creditors	-11	0	-22,610
0	**0**	**-1,128**		**-11**	**0**	**-22,610**
2,030,031	**138,156**	**-1,128**		**2,205,918**	**111,877**	**-22,610**

Net Gains and Losses on Financial Instruments

2017/2018 £000		2018/2019 £000
	Financial Assets	
39,157	Designated at fair value through profit and loss	114,733

The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

15) Nature of Extent of Risks Arising from Financial Instruments

The Pension Fund's assets are fully comprised of financial instruments which are managed by the Council, predominantly by the appointment of external investment managers as determined by the Pension Fund Committee. Each investment manager is required to invest the assets in accordance with the terms of a written mandate or fund prospectus. The Pension Fund Committee has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Funds' Investment Strategy. The Pension Fund Committee receives regular reports from each of the managers on the nature of the investments made on the Fund's behalf and the associated risks.

The allocation of assets between various types of financial instruments is determined by the Pension Fund Committee, in line with the Investment Strategy Statement. Divergence from benchmark asset allocations and the composition of each portfolio is monitored by the Pension Fund Committee.

The Fund's investment activities expose it to the following risks from the use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The nature and extent of the financial instruments employed by the Fund and the associated risks are discussed below. This note presents information on the Fund's exposure to each of the above risks and the Fund's policies and processes for managing those risks.

The Fund's Investment Strategy Statement is formulated to identify the risks managed by its investment managers, to set appropriate risk limits and to monitor adherence to those limits. The Investment Strategy Statement is reviewed regularly to reflect changes in market conditions and the Fund's activities.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the value of its assets. The object of market risk management is to control market risk exposures within acceptable parameters while optimising returns.

The Fund has used manager and adviser information to help it identify market risks.

Interest Rate Risk

Interest rate risk is the risk that interest rate fluctuations will cause the value of fixed interest securities to deviate from expectations. The Fund manages interest rate risk by:

- The use of specialist external investment managers to manage the Fund's cash and fixed interest assets.
- Ensuring asset allocations include a diversity of fixed interest investments with appropriate durations.

The Fund's direct exposure to interest rate risk, as at the period end, is shown in the table following. The table also shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis points (bps) change in interest rates. Comparatives for the previous year are shown in the table below

Carrying value at 31/03/2018	Change in year in net assets available to pay benefits		Asset type	Carrying value at 31/03/2019	Change in year in net assets available to pay benefits	
	+100 bps	-100 bps			+100 bps	-100 bps
£000	£000	£000		£000	£000	£000
769,934	7,699	-7,699	Fixed interest securities	808,340	8,083	-8,083
148,874	1,489	-1,489	Cash & cash equivalents	97,732	977	-977
918,808	**9,188**	**-9,188**	**Total**	**906,072**	**9,061**	**-9,061**

NB. The Fund's direct exposure includes managed fund assets.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund manages currency risk by instructing Investment Managers to use hedging techniques with foreign currencies.

The following table summarises the Fund's currency exposure as at 31 March 2019 and also shows the increase/decrease in the value of net assets available to pay benefits arising.

Using information available from Investment Advisers, Investment Managers, the Fund's Custodian and Bedfordshire Pension Fund Policy Documents, the Fund believes the following is reasonable.

Currency Risk by Asset Class

	2018/2019			
Asset Type	**Value £000**	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
Overseas Equities	993,641	4.16%	1,034,976	952,306
Overseas Property	0	4.16%	0	0
Overseas Absolute Return	169,431	4.16%	176,479	162,383
Overseas Diversified Growth	96,570	4.16%	100,587	92,553
Overseas Alternatives	55,997	4.16%	58,326	53,668
Overseas Cash	0	4.16%	0	0
Total	**1,315,638**	**4.16%**	**1,370,367**	**1,260,910**

Asset Type	2017/2018 Value £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	923,023	12.18%	1,035,447	810,599
Overseas Property	0	12.18%	0	0
Overseas Absolute Return	83,171	12.18%	93,301	73,041
Overseas Diversified Growth	66,671	12.18%	74,792	58,550
Overseas Alternatives	13,035	12.18%	14,623	11,447
Overseas Cash	0	12.18%	0	0
Total	**1,085,900**	**12.18%**	**1,218,163**	**953,637**

Market Price Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether from factors specific to individual assets or those applying to the market as a whole.

As the Fund's assets are valued at market value, with changes to that value reflected in the Fund account, all changes in market conditions will directly affect the Fund's income.

The Fund manages market risk by the application of the following principles:

- Ensuring a diversity of exposures to different financial markets and market sectors
- By ensuring that investments have the sufficient liquidity to enable the appropriate response to changing market conditions

Sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, and using information available from Investment Advisers, Investment Managers, the Fund's Custodian, and Bedfordshire Pension Fund Policy Documents, the Fund believes the following is reasonably possible for the 2018/2019 reporting period.

Asset Type	% Change
UK Equities	18.00%
Overseas Equities	18.00%
Property	14.00%
Absolute Return Bonds	10.00%
Diversified Growth Funds	12.00%
Gilts	10.00%
Private Equity	29.00%
Cash	1.00%
Total	**14.65%**

If the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as shown in the following table. Comparatives for the previous year are also shown.

Asset Type	2018/2019 Value £000	Change %	Value on Increase £000	Value on Decrease £000
UK Equities	247,365	18.00%	291,890	202,839
Overseas Equities	903,581	18.00%	1,066,227	740,937
Property	214,805	14.00%	244,878	184,732
Absolute Return Bonds	193,245	10.00%	212,570	173,921
Diversified Growth Funds	429,384	12.00%	480,911	377,859
Gilts	185,709	10.00%	204,280	167,138
Private Equity	16,190	29.00%	20,885	11,495
Infrastructure	15,665	29.00%	20,207	11,122
Cash	93,096	1.00%	94,027	92,165
Total	**2,299,040**	**14.65%**	**2,635,875**	**1,962,208**

Asset Type	Value £000	Change %	Value on Increase £000	Value on Decrease £000
	2017/2018			
UK Equities	236,410	18.00%	278,964	193,856
Overseas Equities	821,332	18.00%	969,173	673,493
Property	189,968	14.00%	216,563	163,372
Absolute Return Bonds	174,875	10.00%	192,363	157,388
Diversified Growth Funds	418,156	12.00%	468,334	367,977
Gilts	176,903	10.00%	194,593	159,212
Private Equity	8,112	29.00%	10,464	5,760
Cash	148,873	1.00%	150,362	147,385
Total	**2,174,629**	**14.08%**	**2,480,816**	**1,868,443**

The % change for Total Assets includes the impact of correlation across asset classes.

Credit Risk

Credit risk is the risk that a counterparty to a transaction involving a financial instrument will fail to discharge an obligation or commitment it has entered into with the Fund.

The net market value of the Fund's assets, as shown in the Net Assets Statement, represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counter-party or industry. Credit risk is monitored through ongoing reviews of the investment managers' activity.

Apart from a small number of outstanding tax reclaims represented by the provision for tax reclaims over 1 year in the Net Assets Statement, the Fund has no assets that are past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's liquidity is monitored on a daily basis and the Fund seeks to ensure that it will always have sufficient liquid funds to pay benefits to members and liabilities when due, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund manages liquidity risk by:

- giving careful consideration to the anticipated income and expenditure required for the administration of the Fund and the payment of benefits and by maintaining in-house managed cash balances sufficient to meet day-to-day cash flows.

a significant proportion of the Fund being held in highly liquid investments such as actively traded equities and unit trusts. The level 1 highly liquid funds total £691 million representing 30% of the Fund.

16) Funding Arrangements – Actuary Statement

Bedfordshire Pension Fund ("the Fund") Actuarial Statement for 2018/19

Introduction

The last full triennial valuation of the Bedfordshire Pension Fund (the Fund) was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 27 March 2017.

Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

The market value of the Fund's assets as at 31 March 2016 for valuation purposes was £1,733m.

The Fund had a funding level of 71% i.e. the assets were 71% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £713m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;

plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 17.8% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017. This also includes an allowance of 0.5% of payroll p.a. for the Fund's expenses.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2016 are summarised below:

Assumption	31 March 2016
Discount rate	4.1% p.a.
Pension increases	2.1% p.a.
Salary increases	2.4% p.a.
Mortality	Based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.
Retirement	Retirement age pattern assumption as specified by the Scheme Advisory Board for preparing Key Performance Indicators
Commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008)

The discount rate assumption adopted for the Fund's 2016 valuation is set with reference to gilt yields, allowing for an Asset Outperformance Assumption of 1.9% p.a.

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2016 valuation report prepared for the Fund by Hymans Robertson LLP (dated 27 March 2017).

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits as well as a significant decrease in the gilt yields underlying the 2016 valuation funding model. Overall, on methods and assumptions consistent with those adopted for the Fund's 2016 valuation, we estimate that the funding position as at 31 March 2019 has worsened slightly compared with the position as at 31 March 2016 and the primary rate will have also increased due to changes in market conditions.

However, the next formal valuation will be carried out as at 31 March 2019 with new contribution rates set from 1 April 2020. As part of the 2019 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation. In particular, we intend on moving away from a gilts plus approach to setting the discount rate for funding purposes, and instead will look at the Fund's long term investment strategy and the expected returns for each asset within that strategy.

Melanie Durrant FIA CERA
Associate, Barnett Waddingham LLP

17) Actuarial Present Value of Promised Retirement Benefits

Pension Fund Accounts Reporting Requirement – From the Fund Actuary

Introduction

We have been instructed by Bedford Borough Council, the administering authority to the Bedfordshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2019. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The Fund has commissioned a materiality report from the actuary regarding the likely impact on Bedfordshire Pension Fund of the McCloud judgement (which relates to age discrimination in the New Judicial Pension Scheme from the changes in the 2014 Regulations).

The Supreme Court has denied the Government leave to appeal this case, and as a result, the judgement may have an impact on the LGPS.

The actuary has assessed the potential impact of the McCloud judgement on the total liabilities at 31 March 2019 would be 0.3% equivalent to an increase in liabilities of £9,867,000. The Fund considers this does not have a material impact on the overall presentation of the figures in the Statements of Accounts and therefore the impact of the McCloud case has not been included in these Statements.

Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Bedford Borough Council:

- The results of the 31 March 2018 IAS26 report which was prepared by Hymans Robertson LLP;
- The results of the 31 January 2019 FRS102 in respect of Barnfield College;
- Estimated whole Fund income and expenditure items for the period to 31 March 2019;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2018 and 31 March 2019; and
- Details of any new early retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

The table below summarises the membership data, as at 31 March 2016.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	20,576	346,070	49
Deferred pensioners	28,112	33,543	51
Pensioners	14,964	68,903	68

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2019.

We have been notified of 77 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £357,700.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 6%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Bedfordshire Pension Fund as at 31 March 2019 is as follows:

Asset breakdown	31 Mar 2019	
	£000s	%
Equities	1,595,689	69%
Bonds	378,954	16%
Property	230,453	10%
Cash	94,936	4%
Total	**2,300,032**	**100%**

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2019 is likely to be different from that shown due to estimation techniques.

Please note that the total asset value as at 31 March 2019 remains unchanged following allowance for the bulk transfer of Barnfield College as an indicative amount of the required bulk transfer payment was included as a creditor in the 31 March 2019 net asset statement.

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2019, we have rolled forward the value of the Fund's liabilities calculated for the IAS26 valuation as at 31 March 2018, using financial assumptions that comply with IAS19.

A full actuarial valuation involves projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2019 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found here.

Demographic/Statistical assumptions

With the exception of the CMI projection model, we have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. This is consistent with the approach adopted at the last accounting date. Full details of these assumptions can be found in the 2016 valuation report prepared by Hymans Robertson LLP and we have summarised the main demographic assumptions below.

The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.25% p.a. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure in Appendix 3.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		
Retiring today		
	Males	20.7
	Females	23.2
Retiring in 20 years		
	Males	21.7
	Females	24.7

Details of the life expectancy assumption last year can be found in last year's report.

We have also assumed that:

Members will exchange half of their commutable pension in respect of pre-April 2008 service and 75% of their commutable pension in respect of their post 2008 service for cash at retirement;

Members retire following the retirement age pattern assumption as specified by the Scheme Advisory Board for preparing Key Performance Indicators.; and

5% of active members will take up the option to pay 50% of contributions for 50% of benefits.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Assumptions as at	31 Mar 2019	31 Mar 2018
	% p.a.	% p.a.
Discount rate	2.40%	2.70%
Pension increases	2.40%	2.40%
Salary increases	2.70%	2.70%

These assumptions are set with reference to market conditions at 31 March 2019.

Our estimate of the Fund's past service liability duration is 19 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has been updated since the last accounting date. Details of the previous approach adopted can be found in the previous year's report prepared by Hymans Robertson LLP.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has been updated since the last accounting date. Details of the previous approach adopted can be found in the previous year's report prepared by Hymans Robertson LLP.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.4% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 0.7% p.a. below RPI in addition to a promotional scale.

Please note that, consistent with the approach used for the Fund's 2016 valuation, the adjustments for the CPI and salary increase assumptions relative to RPI are applied geometrically.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The cost assessed is only in relation to those that affect the pension liabilities in the Fund.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that 116 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £2,085,000. This figure has been included within the service cost in the statement of profit or loss.

Settlements

With effect from 31 January 2019, Barnfield College (a Scheme employer in the Bedfordshire Pension Fund) transferred to the Hertfordshire Pension Fund as part of a merger with West Herts College. As part of this bulk transfer, a payment needs to be made from the Bedfordshire Pension Fund to the Hertfordshire Pension Fund in respect of the liabilities of Barnfield College that are transferred to the Herfordshire Pension Fund. The amount of this payment is yet to be agreed between the Fund Actuaries of each Fund and the transfer of responsibility to the Hertfordshire Fund for paying the members' pension benefits has not yet taken place, but for the purpose of the accounts this year, we have been requested to include an indicative effect of the transfer.

We have included the effect on the assets and liabilities as a settlement as at 31 January 2019, based on the results of Barnfield College's 31 January 2019 FRS102 report (dated 28 February 2019). The estimated values of assets and liabilities attributable to Barnfield College (calculated on assumptions at the start of the accounting year) are summarised below:

Settlements out Employer transferred to	Transfer date	Assets transferred £000s	Liabilities transferred £000s	Report date
Hertfordshire Pension Fund	31 January 2019	21,042	31,273	28 February 2019
Total		**21,042**	**31,273**	

We would emphasise that the *Assets transferred* figure shown has not actually been paid to the Hertfordshire Pension Fund and is only indicative at this stage. The final amount to be paid will be agreed between the Fund Actuaries as part of the bulk transfer process.

Details of the approach used to estimate the value of the liabilities as at 31 January 2019 can be found in the Barnfield College 31 January 2019 FRS102 report.

Results and disclosures

We estimate that the net liability as at 31 March 2019 is a liability of £1,520,411,000. This is now lower than disclosed in Version 1 of this report, reflecting the indicative level of liabilities removed from the Fund in respect of the Barnfield College bulk transfer.

The results of our calculations for the year ended 31 March 2019 are set out in the appendices below:

Appendix 1 sets out the Statement of financial position as at 31 March 2019;

Appendix 2 details a reconciliation of assets and liabilities during the year; and

Appendix 3 shows a sensitivity analysis on the major assumptions.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Melanie Durrant FIA CERA
Associate

Appendix 1 Statement of financial position as at 31 March 2019

Net pension asset as at	31 Mar 2019 £000s	31 Mar 2018 £000s
Present value of the defined benefit obligation	3,820,443	3,633,000
Fair value of Fund assets (bid value)	2,300,032	2,174,629
Net liability in balance sheet	**1,520,411**	**1,458,371**

*Present value of funded obligation consists of £3,779,990,000 in respect of vested obligation and £40,453,000 in respect of non-vested obligation.

Please note that the *Fair value of Fund assets (bid value)* figure as at 31 March 2018 is as disclosed in the Fund's 2017/18 accounts. The *Present value of the defined benefit obligation* figure is as disclosed in the 31 March 2018 IAS26 report prepared by Hymans Robertson LLP.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2019

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2019 £000s
Opening defined benefit obligation	**3,633,000**
Current service cost	146,235
Interest cost	97,026
Change in financial assumptions	218,887
Change in demographic assumptions	(173,698)
Experience loss/(gain) on defined benefit obligation	-
Liabilities assumed / (extinguished) on settlements	(31,273)
Estimated benefits paid net of transfers in	(97,533)
Past service costs, including curtailments	2,085
Contributions by Scheme participants	25,714
Unfunded pension payments	-
Closing defined benefit obligation	**3,820,443**

The indicative effect of the Barnfield College bulk transfer is reflected in the *Liabilities assumed / (extinguished) on settlements* figure, with secondary effects on the *Interest cost, Change in financial assumptions* and *Change in demographic assumptions* figures.

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2019 £000s
Opening fair value of Fund assets	**2,174,629**
Interest on assets	59,004
Return on assets less interest	62,854
Other actuarial gains/(losses)	-
Administration expenses	(3,739)
Contributions by employer including unfunded	100,145
Contributions by Scheme participants	25,714
Estimated benefits paid plus unfunded net of transfers in	(97,533)
Settlement prices received / (paid)	(21,042)
Closing Fair value of Fund assets	**2,300,032**

The total return on the Fund's assets for the year to 31 March 2019 is £121,858,000.

The indicative effect of the Barnfield College bulk transfer is reflected in the *Settlement prices received / (paid)* figure, with secondary effects on the *Interest on assets* and *Return on assets less interest* figures. The estimated total return on the Fund's assets is now higher than in Version 1 of this report, reflecting that previous return incorporated the indicative bulk transfer payment out of the Fund.

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	3,820,443	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	3,751,439	3,890,785
Long term salary increase	3,834,160	3,806,843
Pension increases and deferred revaluation	3,876,999	3,764,973
Sensitivity to	**+1 Year**	**- 1 Year**
Life expectancy assumptions	3,959,580	3,686,344

18) Long Term Debtors

In 2005, Magistrates Courts' staff transferred from the Local Government Pension Scheme to the Civil Service Scheme. Whilst transfers of value were effected then, agreement on funding the deficit position was not finalised until February 2011 when it was agreed that the Bedfordshire Pension Fund would receive ten annual payments of £0.608 million, commencing April 2011. The fair value of these payments has been recognised in the Fund's accounts for 2018/2019. Those instalments falling due more than one year from the balance sheet date are shown as a long term debtor, £0.608 million at 31 March 2019 (£1.193 million at 31 March 2018). The amount falling due within less than a year is shown as current assets.

19) Current Assets

2017/2018 £000	Current Assets	2018/2019 £000
1,240	Contributions due from Administering Authority	1,589
7,416	Contributions due from other scheme employers	8,919
564	Civil Service Pensions Scheme - see note 189 above	586
16,000	Bulk Transfer due from other Local Authorities	0
329	Other	879
25,549		**11,973**
83,458	Cash	63,192
109,007	Current Assets	**75,165**

The cash balance of £63.2 million is held in the Fund's own bank accounts. Cash held by the Fund's managers is included in cash deposits in Note 12.2 above.

20) Current Liabilities

2017/2018 £000	Current Liabilities	2018/2019 £000
2	Administration costs etc. due to Administering Authority	202
974	Investment managers' fees	586
70	Other professional fees	7
0	AVCs in transit	2
0	Death grants	0
82	Other	21,813
1,128		**22,610**
0	Provision for Tax Reclaims over 1 Year	11
1,128	Current liabilities	**22,621**

An accrual has been made of £21 million to reflect the bulk transfer of Barnfield College above as a prudent estimate of the liabilities transferring to Hertfordshire Pension Fund. The final amount will be agreed between the Funds' actuaries.

21) Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. These contributions are invested separately from the Fund's other assets with Prudential and the Standard Life Assurance Company.

2017/2018 £000	Additional Voluntary Contributions	2018/2019 £000
4,768	Value at 1 April	**4,746**
	Income	
828	Contributions received	**913**
	Expenditure	
-973	Retirements	-955
14	Transfers values paid	4
-959		**-951**
109	Change in market value	262
4,746	Value at 31 March	**4,970**

In accordance with Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, additional voluntary contributions are excluded from the Fund Account and Net Assets Statement.

22) Related Party Transactions

Administration and investment management costs include charges by Bedford Borough Council for providing services in its role as administering authority. For 2018/2019 these amounted to £1.2 million (2017/2018 £1.3 million).

The Administration team provide the legacy payroll for Teachers pension added years.

The Fund pays compensatory added years benefits on behalf of some of its employers. The costs of these are invoiced to the employer. In 2018/2019 £3.1 million (2017/2018 £3.1 million) was paid and recovered from their employer.

The senior officers involved in the financial management of Bedfordshire Pension Fund in 2018/2019 were the Assistant Chief Executive (Enabling Services), (The Fund Administrator) and the Chief Officer for Corporate Finance & Pensions. Both of these officers' charge a proportion of their time to Bedfordshire Pension Fund as part of Bedford Borough Council's charge as administering authority.

Pension Committee members and relevant senior officers are required to declare any interests in related party transactions and relationships between themselves, and their related parties, and the Pension Fund. A number of the Pension Committee members also act as councillors or board members of the Fund's scheduled or admitted bodies, who maintain a conventional employer relationship with the Fund. These are listed below but do not include representation of their respective bodies as Committee members:

- Councillor Doug McMurdo is a member of the Bedfordshire & River Ivel Drainage Board.
- A member of Councillor McMurdo's immediate family is an employee of the Sharnbrook Academy Federation.
- Councillor Shan Hunt is a board member of BPHA, a scheme employer.
- Councillor Richard Wenham is a Director at Raynsford Church of England Academy.
- Councillor John Young is a Director at London Luton Airport Limited and Active Luton.

There were no material transactions between members and officers and the Fund during 2018/2019.

The only material related party transactions during 2018/2019 were in respect of contributions paid by the employing bodies into the Fund. See Note 6.

Amounts owed to and from the Administering Authority can be seen in Notes 19 and 20.

The disclosures required by the above legislation can be found in the main accounts of Bedford Borough Council.

23) Contingent Liabilities and Contractual Commitments

There were no material contingent liabilities as at 31 March 2019. But there were outstanding commitments to investment vehicles of up to £38.3 million.

Annual Governance Statement

Introduction

Bedford Borough Council is one of a small number of local authorities that has a directly elected Mayor. The Mayor has executive powers and selects an Executive, members of which, each takes on a portfolio of responsibilities so that all of the Council's services under the responsibility of the Executive are covered. The current Mayor was re-elected on May 2019 (previously 2015) for a four-year term.

The Council also elects 40 councillors for a four year term to represent the 27 local wards across urban and rural parts of Bedford Borough. Following the elections in May 2019 *(previously May 2015*).*
The make-up of the Council including the Elected Mayor is as follows;

- 16 Liberal Democrats *(*10 Liberal Democrats – May 2015)*
- 11 Labour *(*14 Labour – May 2015)*
- 11 Conservatives *(*15 Conservatives – May 2015)*
- 1 Independents *(*2 Independents – May 2015)*
- 2 Green Party

Across the area of Bedford Borough there are 47 parish and town councils.

The Council's gross expenditure budget for 2018/19 was £366.2 million of which £149.5 million funding is the Dedicated Schools Grant. Our net Budget for 2018/19 was £130.6 million which was made up from the following sources:

- Government Grant - £10.2 million
- Business Rates - £32.4 million
- Council Tax - £88.0 million

During 2018/19 the Council continued to face the challenges of reduced funding for local government, increased demand for many of our services and the need to continue to improve the experiences of our residents. The Transformation Programme – Bedford Borough 2020 (BB2020) continued to be implemented throughout 2018/19 and a number of service redesigns were carried out and the financial savings targets were met.

Projects to improve our services that were outside of the scope of the Bedford Borough 2020 Transformation Programme (BB2020) were undertaken and managed by the centralised Project Management Office (PMO).

Code of Corporate Governance

Scope of Responsibility

Bedford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for, and used economically, efficiently and effectively in accordance with its duties under the Local Government Act 1999 and to also make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016. This statement explains how Bedford has complied with the code and also how we meet the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the principles of good governance and describes the arrangements the Council has put in place to meet each of these principles:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

B. Ensuring openness and comprehensive stakeholder engagement;

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;

D. Determining the interventions necessary to optimise the achievement of the intended outcomes;

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;

F. Managing risks and performance through robust internal control and strong public financial management;

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

A copy of the Council's code is available on our website at

www.bedford.gov.uk

Or can be obtained from:

The Monitoring Officer
Borough Hall, Cauldwell Street
Bedford MK42 9AP

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework has been in place at Bedford Borough Council for the year ended 31st March 2019 and up to the date of approval of the annual statement of accounts.

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focused upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan.

The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The Code of Corporate Governance was updated during 2018/19 and approved by the Audit Committee in March 2019. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Management Team (MT) which comprises the Chief Executive, Statutory Officers: Section 151 Officer & Monitoring Officer and Directors.

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives. The Code of Corporate Governance sets out the controls in full.

Governance Framework

Annual Governance Statement
(Meets Account & Audit Regulations and is published with Annual Accounts)

Audit Committee
(Challenge the draft AGS and supporting evidence. Approve AGS)

Chief Executive & Management Team
(Challenge the draft AGS and supporting evidence)

Chief Officer for Internal Audit
(Challenge Governance Statement etc.)

Section 151 Officer (CFO)
(Promote & Deliver Good Financial Management)

Monitoring Officer
(Legal & Ethical Assurance)

Code of Corporate Governance
(The Council's commitment to good governance based on the principles of the CIPFA/SOLACE framework)

- **Constitution**
- **Code of Conduct**
- **Scheme of Delegation**
- **Complaints Process**
- **Equality & Diversity**
- Standards Committee
- Complaint Summary Reports
- Public Consultations
- Local Government Ombudsman Report

- **Corporate Plan**
- **Policies & Procedures**
- **Business Planning**
- **Performance Results**
- Manager's Assurance Statements
- Monthly/Quarterly Performance Reports
- Committee Reports
- Annual Audit Opinion
- Scrutiny Committee

- **Financial Management Framework**
- **Budget Monitoring Process**
- **Compliance with CIPFA Guidelines**
- Medium Term Financial Strategy
- Treasury & Investment Strategy
- Statement of Accounts
- Annual Audit Letter (External)
- Financial & Contract Procedure Rules

- **HR Policies Pay Policy**
- **Risk Management**
- Corporate Risk Register
- Service Risk Register
- Personal Appraisals
- Bribery, Anti-Fraud & Corruption Policy
- Whistleblowing Policy

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- The work of the Corporate Governance Team who have responsibility for the development and maintenance of the governance environment;
- The Annual Internal Audit Assurance opinion, as provided by the Chief Officer for Internal Audit;
- Comments made by the external auditors and other review agencies and inspectorates; and
- The Audit Committee's work programme reviews that the elements of the governance framework are in place, to ensure compliance with the principles. An annual report on the work of the Audit committee is prepared by the Chair of the Audit Committee and this was received by Full Council in October 2018.

The Audit Committee relies on the work of Internal Audit to ensure there is an adequate and effective internal control environment in operation at the Council. This has remained a key source of assurance for the Council in 2018/19. All new members receive induction training and there is an annual training programme for all members to ensure that they can fulfil their roles. The Council has received the Investors in People accreditation. Senior Officers' training and development needs are identified through the Council's Performance Development Review system. The Chief Executive and Directors are also subject to an annual performance review by a member panel. The Council's Senior Managers have completed assurance statements for each of their areas of control, acknowledging responsibility for risk management and internal control, and certifying satisfaction with the arrangements in place throughout 2018/19. These assurance arrangements are consistent with the Governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

Bedford's financial management arrangements conform to the CIPFA Code of Practice on Local Authority Accounting for 2018/19 and with the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2016).

The Council has engaged CIPFA to work with the Finance Team to develop Budget Manager training which will focus on principles and best practice and how this can be put into practice in terms of the Council's Financial Management system. The intention, medium term, is that Budget Manager training will be delivered by the Finance Team. In terms of outcomes the Council is looking to enhance the robustness of its budget management processes so as to enable more informed resource management decisions. This is particularly important as effective financial management is a key strand of financial resilience.

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. In 2018/19 the Monitoring Officer continued her review of the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support. The Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues. Entries made in the Register of Members' Interests were reviewed by the Monitoring Officer.

Other key officers have also been consulted for their views on the standards of governance within the Council – specifically the

- Chief Executive
- Chief Finance Officer
- Monitoring Officer
- Chief Officer for Internal Audit

During 2018/19 the Information Governance Board did not formally meet as staff resources were diverted to support the implementation of GDPR.

The processes for reporting against the Corporate Plan have been developed throughout 2018/19 and are closely aligned to the delivery of the new Digital Operating Model. A monthly dashboard of high level performance indicators is provided to the Management Team and Executive for review and intervention (as required). Overview & Scrutiny Committees also review performance on a regular basis. The end-of-year outturn for 2018/19 of the new Corporate Plan will be reported to Executive in September 2019; this will include information on the successes and challenges throughout the year. The Performance Management Framework has continued to operate effectively during the year.

In order to provide services that are best suited to our customers the Council will listen to its citizens and stakeholders. Consultation around an issue help tailor services, and meet the needs of our community. Consultation will help garner views and preferences, help understand possible unintended consequences of a policy or decision, or to get views on implementing change. All this ensures that our decisions and policies are made from a strong evidence base. During 2018/19 the following key public consultations were conducted:

- Overview and Scrutiny Committees' Work Programmes Consultation 2019
- Empty Home Strategy
- Council Tax Reduction Scheme 2019/20
- Tenancy Strategy 2019-2024
- Budget Consultation 2019
- Energy Supply Company Survey
- Park Customer Satisfaction Survey
- Public Spaces Protection Order
- Council Tax Premiums
- Local Plan 2030 Consultation

In 2018/19, the Council responded to 346 complaints at stage 1 and 58 complaints at stage 2 of our Corporate Complaints Procedure. Additionally, 26 complaints were addressed via our Adult Social Care Complaints Procedure and 34 were addressed via our Children's Social Care Complaints Procedure. In total 94.6% of the complaints were responded to within the prescribed timescales. The Council identified some learning outcomes from the complaints received and these have already been incorporated into changes in service provision.

The Overview and Scrutiny (O&S) Committee process has provided challenge and has monitored the Council's policies and performance on an ongoing basis. Portfolio Holders have also kept issues under review during meetings with managers. During 2018/19 the Members of O&S have worked together, adopting a non-political approach, developing and using their knowledge and expertise, and that of others to the best effect. An evidence-based approach to the O&S work has been instrumental in achieving good results. There have been contributions, and input, from a range of stakeholders, including voluntary sector organisations, officers and Members of the Council.

Highlights have included:-

Reviewing Actions on Officer Reports:
- Medium Term Financial Strategy
- Bedford Borough Council Proposed Budget 2019/2020
- Digital Operating Model Update
- Disposal of Council Owned Land
- Community Asset Transfers of Council owned Community Centre's
- Gambling Act 2005
- Contact Centre Call handling Performance
- Rural Broadband
- LED Street Lighting
- Large Scale Waste Incineration Bedford
- Environmental Enforcement
- Putnoe Walk-In Centre
- Bedford Hospital – Quality Account – 2017/18
- Annual Adults Safeguarding Report 2017/18
- Urgent Primary Care
- Annual Children's Safeguarding Report 2017/18
- HEART Multi0Academy Trust
- School Improvement Strategy

Service Reviews:
- Community Safety Plan 2017-2020
- The Town Centre Transport Strategy

Monitoring Reports from Key Partnerships and other External Bodies:
- Fusion
- Kingdom
- PwC
- Pythagoras
- Bedfordshire Clinical Commissioning Group
- East London NHS Foundation Trust (ELFT)
- Independent Chair of Children's Safeguarding Board

Update on Key Projects / Governance Issues

The Programme Management Office (PMO) is responsible for monitoring key projects. Each month the PMO provides a RAG rated report to the Management Team on the progress of each project and if appropriate recommends corrective action at the highest officer level to keep projects on track. Feedback is also provided to the Mayor and Finance Portfolio Holder on any project related issues.

The signing of the Marston Vale commercial partnership along the M1 – A421 corridor was a major project supported by the Council to help revitalise the local economy by providing additional employment land along a strategic highway location. The development will create 1400 local jobs and provide training to over 200 people. Bedford Commercial Park will also include high spec engineering and industrial units including the i-Worx, 12 new units which are part of the Council's i-Brand, HQ standard office space and warehousing.

Other projects work streams undertaken during 2018/19 included phase 2 capital works related to the conversion of Schools from a 3 to 2 tier system and the construction of a new school in Cotton End.

To ensure continuous improvement of Council services, officers have acted on feedback from Internal and External audit and fed back customer complaints to the appropriate Operational Managers. The Council has in place regular reporting on the financial affairs of the Council. The budget for 2019/20 was agreed by Full Council in February 2019 and financial performance is reported on a quarterly basis to Members.

Internal Audit assessed the Council's corporate governance arrangements by measuring them against the requirements of the governance framework outlined in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government", and the results of this have been reported to the Audit Committee. During 2018/19 the Internal Audit undertook a self-assessment against the Public Sector Internal Audit Standards (PSIAS) and were found to be substantially compliant.
The results were reported to the Audit Committee at its meeting in June 2019.

All key systems were audited in 2018/19 and audit reports were provided to management and the outcomes reported to the Audit Committee. This included an audit of the Council's Risk Management arrangements which received a Substantial Audit opinion. The Risk Management Strategy was updated in November 2018 which included a new risk matrix model. The operational risk registers were all updated during 2018/19. Whilst the Strategic Risk Register was being updated for approval by the Executive in June 2019 new risks arising from Brexit were being monitored by the Joint Executive and the Management Team, Key Project Risks, with individual risk registers, were reviewed the Programme Board comprising of the Mayor and Portfolio Holder. Further, all Executive Reports were agreed through the Management Team which included a risk section. Champions have been established in each directorate and operational risks will be reviewed by senior leadership teams going forward. The Strategic Risk Registers will also be periodically monitored and reviewed by the Management Team.

Based on the assurance work undertaken by Internal Audit, the Chief Officer for Internal Audit has provided an opinion on the adequacy of the control environment which concluded that there were good controls in most but not all areas. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute.

Long outstanding high risk recommendations relating to IT Disaster Recovery, Care Contracts and Children's Direct Payments were reported to the Audit Committee during 2018/19 and will continue to be monitored until they are resolved.

In July 2018 the Council's external auditor (Ernst & Young LLP) provided the Council with an unqualified opinion on the Council's 2017/18 accounts and their Annual Audit and Inspection letter was received by the Audit Committee in November 2018. Ernst & Young LLP also concluded that the Council has effective arrangements to secure Value for Money.

In the 2017/18 Annual Governance Statement, four key issues were identified. Two of the agreed actions were implemented by 31st March 2019 and the remaining two actions are to be implemented by June 2019 and have been carried forward in the 2018/19 AGS action plan.

The Council is committed to the prevention and detection of fraud and has established a robust framework in this regard which includes;

- Anti-Fraud Strategy (revised June 2017)
- Corporate Confidential Reporting Policy
- Bribery and Anti-Money Laundering Policies (revised March 2018)
- Fraud Risk Register (revised November 2018)

The Chief Officer for Internal Audit attends Audit Group meetings with other Local Authorities which share fraud intelligence and the Council is a member of the National Anti-Fraud Network (NAFN) and receives regular fraud alerts. The Council also participates in the bi-annual national Fraud Initiative (NFI) and the annual CIPFA Fraud Survey the results of which are reported to the Audit Committee each year.

The Chief Internal Auditor's annual report 2018/19 provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements. Internal Audit's annual opinion for 2018/19 confirmed that there were good controls in most but not all areas with medium/low risk of not achieving objectives and medium/low risk of fraud.

Governance Issues in 2018/19

Bedford Borough 2020

As part of the Modernisation Programme 'Bedford Borough 2020' a new Tier 3 management re-structure was completed during 2018/19 and all the Manager posts were successfully recruited thereby improving accountability and governance in each service area.

The Bedford Borough 2020 (BB2020) programme was structured into 3 main categories; Digital Operating Model (DOM), Review of Third Party Spend and Directorate Led Service savings proposals to identify the required savings. During 2018/19 as part of DOM seven service reviews were started and significant progress was made to the digital platform. The financial savings targets for DOM and Directorate Led Service for the second year were met. Progress was made on Third Party Spend and a further review of the potential savings areas is on-going.

OFSTED Inspection

In December 2018 Ofsted carried out a focused visit to look at the Council's arrangements for children in need and children subject to a child protection plan.

The Inspectors reported that since the last inspection of children's services in February 2017, actions taken by leaders have improved the stability of the social care workforce and reduced social work caseloads. These changes are resulting in improving outcomes for children in need and children in need of protection. By investing in key areas, such as the Social Work Academy and new programmes with parents who perpetrate domestic abuse, leaders have been able to develop and retain skilled social workers and strengthen support for vulnerable children. The senior leadership team has recently developed, in partnership with staff, an ambitious vision of child-centered, outcome-focused practice. A new model of practice, based on systemic principles and building relationships with families, is in the early stages of being implemented across the service.

Leaders know the service well and have a realistic view of the quality of social work practice. Rigorous performance management has resulted in sustained improvements in areas of core social work activity, ensuring regular social work visits to children and timely completion of assessments before child protection conferences. Staff morale in Bedford is high, and many social workers spoke of how they feel valued by senior managers and leaders. Staff development is prioritised, and social workers' manageable caseloads mean that they have capacity to attend a range of training. Social workers are making imaginative use of recently provided smart phones and tablets to complete direct work with children and in recording their work in collaborative ways with families.

The Ofsted Report highlighted the following four areas that need to improve:-

- The quality of children's plans, including planning specific outcomes for children.

- Capturing children's views in their assessments and reviews of their plans.

- The quality of case supervision for staff.

- Learning from case audits and other quality assurance activity in order to improve [practice.

The Director of Children's Services has confirmed that action has also commenced to address the issues.

GDPR

During 2018/19 The Council continued to respond to the challenges of GDPR coming into effect from 25 May 2018 by establishing a project to address the requirements GDPR. Key lines of work included: -

- the development of a Corporate Record of Processing is in the process of being developed
- new GDPR Privacy Statements for individual service areas to use
- awareness raising amongst staff and a new mandatory training course

In addition, policies and procedures were updated. Data Protection Impact Assessments were embedded in the Bedford Borough 2020 project for each service redesign to ensure that privacy by design is integral to that programme.

CIPFA Financial Budget Monitoring Review

The Council has engaged CIPFA to work with the Finance Team to develop Budget Manager training which will focus on principles and best practice and how this can be put into practice in terms of the Council's Financial Management system. The intention, medium term, is that Budget Manager training will be delivered by the Finance Team.

In terms of outcomes the Council is looking to enhance the robustness of its budget management processes so as to enable more informed resource management decisions. This is particularly important as effective financial management is a key strand of financial resilience

Governance Conclusion and Action Plan 2018/19

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. Following the review of the Council's governance arrangements, by the Chief Officer for Internal Audit, three significant issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. The key actions that will be undertaken to address these issues include:

- reinstatement of the Information Governance Board, who will meet on a regular basis to ensure information governance compliance across the Council;
- completion of the new Strategic and Operational Risk Registers with regular monitoring of new and existing risks by the Executive, Management Team and Risk Owners in each service area; and
- implementation of a revised Budget Monitoring process taking into account best practice guidance recommended by CIPFA.

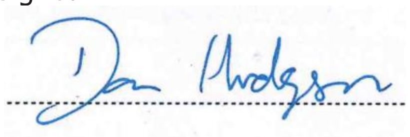
The aim is to address these weaknesses during the 2019/20 financial year, by way of an action plan as tabled below which will be subject to monitoring by the Corporate Governance Working Group and Audit Committee.

Issue No.	Issue Identified	Comments / Summary of Action Proposed
1	During 2018/19 the Information Governance Board did not formally meet as staff resources were diverted to support the implementation of GDPR.	The Information Governance Board should meet on a regular basis to ensure all corporate information governance arrangements are dealt with in an effective manner. Responsible Officer: Monitoring Officer Target date: 30th June 2019 Update : Complete
2	Carried Forward from 2017/18 The Risk Management internal audit identified that the Corporate Risk Management Working group did not meet during 2017/18, and that for some service areas the operational risk registers were not kept up to date	A new Risk Management Strategy was approved by an Executive Decision in November 2018 and work is in hand to review the Operational and Strategic Risk Registers. Risks continued to be reviewed throughout 2018/2019 - all key projects had their own risk registers as managed through the Transformation Team and the risks relating to key decisions requiring committee approval were documented in committee reports. The Risk Management Champions Group will be reinstated. The updated Risk Management Arrangements – Review of Strategic and Corporate Risks were presented to the Executive on 26 June 2019. The Council's Management Team will review Risk Management Arrangements and Risk Registers on a regular basis. The review of the strategic and operational risk registers commenced in the last quarter of 2018/19 with the support of an external risk consultant. The recommendations arising from the 2017/18 Risk Management Internal Audit were followed up and a Substantial Assurance opinion was issued. Responsible Officer: Chief Finance Officer Target date: 30th June 2019 Update : Complete
3	Carried Forward from 2017/18 The Independent review by CIPFA of the Council's Financial Management arrangements identified areas of improvement in respect of financial policies, training for Budget Managers and developing the Council's financial management system. The recommendations arising from the CIPFA Financial Management review should be implemented.	Due to the redesign of Financial Services being delayed the Chief Finance Officer has engaged CIPFA to undertake a review of the Council's Budget Monitoring process with a view to a new system being implemented thereafter. Responsible Officer: Chief Finance Officer Target date: 30th June 2019 Update: Target date extended to 31 March 2020

Approval of the Annual Governance Statement

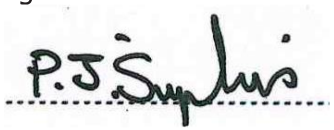
Through the action referred to on the previous page, we propose over the coming year to address the issues that have been identified, with a view to further enhancing our governance arrangements. These steps will identify improvements that are needed and we will monitor their implementation and operation as part of our next annual review.

Signed:



Elected Mayor

Signed:



Chief Executive

Approved by Audit Committee: 26 November 2019

Finding out more

If you would like further copies, a large-print copy or information about us and our services, please telephone or write to us at our address below.

Për Informacion معلومات کے لئے برای اطلاع للمعلومات Za Informacije

ਜਾਣਕਾਰੀ ਲਈ Per Informazione Informacja তথ্যের জন্য

01234 267422

Bedford Borough Council
Borough Hall
Cauldwell Street
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www.bedford.gov.uk

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

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.

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 (experience gains and losses); or

· The actuarial assumptions have changed

ASSET

An item having value to the authority 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 Authority 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.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

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 additional interest charges over and above the original amount.

BUDGET

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

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 PROGRAMME

The capital schemes the Authority 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.

CLAW-BACK

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority 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 concept 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 Authority'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 Authority'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.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Authority 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 SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority 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

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority’s value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

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.

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by 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 Authority.

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.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority 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.

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 Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority 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 Authority 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.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

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 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 Authority.

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 DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

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. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

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

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.

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.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

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

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

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 Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

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

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED 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

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

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

Independent Auditor’s Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEDFORD BOROUGH COUNCIL

Opinion

We have audited the financial statements of Bedford Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 47 and the Expenditure and Funding Analysis, and
- the Collection Fund and the related note 1.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Bedford Borough Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Chief Executive (Enabling) and Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Chief Executive (Enabling) and Chief Finance Officer's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2018/19 set out on pages 3 to 12, other than the financial statements and our auditor's report thereon. The Assistant Chief Executive (Enabling) and Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Bedford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Assistant Chief Executive (Enabling) and Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 14, the Assistant Chief Executive (Enabling) and Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Assistant Chief Executive (Enabling) and Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Bedford Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Bedford Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

We certify that we have completed the audit of the accounts of Bedford Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Bedford Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson
Ernst + Young LLP

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
16 December 2019

The maintenance and integrity of the Bedford Borough Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEDFORD BOROUGH COUNCIL

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Chief Executive (Enabling) & Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Chief Executive (Enabling) & Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "Statement of Accounts and 2018-2019", other than the financial statements and our auditor's report thereon. The Assistant Chief Executive (Enabling) & Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Assistant Chief Executive (Enabling) & Chief Financial Officer

As explained more fully in the "Assistant Chief Executive (Enabling) & Chief Financial Officer's Responsibilities" set out on page 13, the Assistant Chief Executive (Enabling) & Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Assistant Chief Executive (Enabling) & Chief Finance Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

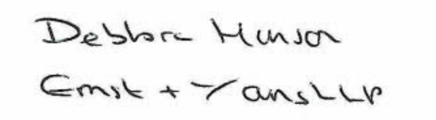
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Bedford Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
31 July 2019

The maintenance and integrity of the Bedford Borough Council / Bedford Pension Fund web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.