



**BEDFORD**  
BOROUGH COUNCIL



# Statement of Accounts 2020/2021

Audited Version December 2021

*Finance*

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## Narrative Report

### (a) Introduction – Covid-19

Covid-19 took effect in the UK in March 2020 and such had a significant impact on the Council's operations and resources throughout 2020/2021. At the start of the financial year, given forecast increased spending and reduced income the Council took decisions to protect its liquidity position. As the year progressed Government provided additional funding which invariably resulted in upfront cash support thereby alleviating the potential liquidity issues. The effect of Covid-19 can be clearly seen in the Annual Accounts, in terms of Income, Expenditure and the Balance Sheet.

### Financial impact

The management response to Covid-19 was comprehensive as the Council invoked a number of work streams to address issues arising from the pandemic including supporting the most vulnerable within the community. A financial discipline was put in place to identify financial implications arising, make effective decisions and report on progress. This governance layer enabled the Council to track the financial implications of the pandemic, ensure that these were properly recorded and as such enabled the Council to comply with emerging financial reporting requirements.

The table below sets out the impact of Covid-19 for 2020/2021.

<b>Covid-19 Income Foregone/Costs incurred</b>	<b>Net Costs Shown in Covid-19 Directorate £ million</b>	<b>Additional Service Costs £ million</b>	<b>Income Foregone £ million</b>	<b>Total £ million</b>
Adults	0.689	0.859	0.486	2.034
Business Transformation & Organisational Development (Exc. Business Grants)	2.988	1.261	0.247	4.495
Children's	0.102	0.229	0.375	0.706
Chief Executives	0.050	0.000	0.411	0.461
Environment	1.854	0.384	4.382	6.620
Enabling	0.308	0.000	0.897	1.205
Public Health	0.889	0.000	0.000	0.889
Corporate	(18.659)	3.746	0.407	(14.506)
<b>Total</b>	<b>(11.779)</b>	<b>6.479</b>	<b>7.205</b>	<b>1.905</b>
Grant funding existing budgeted spend/staff				0.504
Less CCG income in service				(0.859)
Less DSG Funding				(0.144)
<b>Total spend above Grant Values</b>				<b>1.406</b>

### Council response

The council responded to Covid-19 by setting up a Community Hub which provided emergency food packages, organised shopping for those in need and provided a point of contact for those who felt isolated or lonely. The majority of services, for example waste collection, continued despite social distancing.

Social Care for both Adults and Children presented challenges in that face-to-face provision required the adoption of PPE and social distancing to be put in place whilst ensuring service needs and delivery standards continued to be met. The council worked hard to support the local social care market and provided aid and help to ensure that provision continued in challenging circumstances.



The council administered grants on behalf of Central Government - both in terms of direct administration and those that required discretionary decisions. The Council processed 8,712 business grant requests totalling £43.535 million to help support the local community.

The council received awarded 5,750 requests to help with Council Tax and supported households to get the appropriate Council Tax support or assisted with restructured payment plans where appropriate totalling £1.393 million.

Track and Trace support payments of £223,500 were made to 447 individuals. In addition, payments totalling £58,300 were made from the Council's own funds for discretionary or top-up payments to individuals. In total 691 payments were made.

### Going forward

The Council has utilised its pre-existing agile working programme to enable the majority of the Council's workforce to work from home. Some services require attendance at various locations and staff have been provided with the appropriate equipment and are required to comply with the appropriate social distancing rules. All council meetings in 2020/2021 were held virtually. As the legislation has reverted to what it was previously the Council is assessing how it progresses meetings of the Council ensuring compliance with both governance and safety demands.

Costs arising in providing services in a Covid-19 environment has meant that there will be ongoing costs for the council in 2021/2022. In addition income forecasts have been reduced, for example car parking income. The ongoing financial impact of the pandemic was taken into account when the Council approved the 2021/2022 Revenue Budget. It should be noted that further Covid-19 Grants were incorporated within the 2021/2022 Revenue Budget reflecting a consensus that the financial impact will take a period to unwind.

### Impact of Covid-19 on Going Concern

The Council continues to operate as a Going Concern. The gross impact of Covid-19 on the General Fund is currently estimated to be a cost of £29.512 million in 2020/2021 (combination of £22.307 million expenditure and £7.205 million loss of income). This is partly mitigated by an allocation of £27.103 million of MHCLG Grants and Central Government Grants, including £5 million expected to be received for income forgone, and £1 million of other Covid-19 related funding. This leaves a net cost of £1.406 million relating to Covid-19 for 2020/2021.

For 2021/2022 Government have provided a number of Covid-19 related Grants; £4.4 million non-ring fenced Grant, £2.7 million Council Tax Support Grant and £0.7m Council Tax Income Guarantee Grant. There is no doubt that as the impact of Covid-19 unwinds there is a financial impact over the medium term and over this period further Government support may or may not be available. It should be noted that the Council's Medium Term Financial Strategy prior to Covid-19 was forecasting an excess of spend when compared to available resources. The combination of the existing medium term forecast and the impact of Covid-19 requires the Council to identify and deliver savings over the medium term.

## (b) Revenue Outturn Position

The revenue outturn for 2020/2021 for Bedford Borough Council shows an overall net underspend of £1.447 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 will be reported to the Mayor in June 2021. This compares to a net revenue underspend in 2019/2020 of £0.754 million.

Directorate	Net Budget £million	Net Outturn £million	Net Variance £million
Adult Services	50.33	46.213	(4.117)
Business Transformation & Organisational Development	17.507	24.230	6.723
Chief Executives	4.192	4.134	(0.059)
Children's Services	33.416	33.286	(0.130)
Covid-19	0	(11.780)	(11.780)
Enabling Services	2.704	5.252	2.547
Environment	26.958	29.861	2.903
Public Health	0	0	0
<b>Total Operational Budgets</b>	<b>135.107</b>	<b>131.194</b>	<b>(3.913)</b>
Corporate Budgets	(3.060)	(0.604)	2.456
<b>Total Revenue Outturn</b>	<b>132.047</b>	<b>130.590</b>	<b>(1.457)</b>
<b>% of Total Net Budget</b>			<b>-1.10%</b>

The net operational costs of the council accounts for £135.107 million representing 102% 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 £131.194 million representing an underspend of £3.913 million.

Non Operational budgets were overspent by £2.456 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 2020/2021 was funded through Council Tax (including Council Tax surplus) of £95.843 million, retained business rates of £30.343 million and Revenue Support Grant of £5.861 million.

## (c) General Fund

The Risk Assessment methodology has been undertaken to ensure that the recommended level of the General Fund Balance is appropriate and reflects the key issues facing the Council. There has been an initial review of Reserves as part of the 2020/2021 Outturn and as at the 31 March 2021 the General Fund has been increased by £1.457 million to £17.774 million.

## (d) Earmarked Reserves

A full review of all reserves, both the General Fund and earmarked reserves, will be undertaken during 2021/2022 as part of the Medium Term Financial Strategy (MTFS) to consider whether the current balance is sufficient to manage the financial risks going forward given the financial position and this will include an assessment of the Council's financial resilience.

## (e) Capital Outturn

The Capital Outturn position in relation to the 2020/2021 Capital Programme is set out in the table below and shows a net underspend of £0.599 million.

Directorate	Budget £million	Outturn £million	Variance £million
<b>Gross Expenditure</b>			
Business Transformation & Organisational Development	11.056	10.701	(0.355)
Childrens Services	5.074	5.160	0.086
Enabling Services	5.962	2.939	(3.023)
Environment	25.457	21.743	(3.714)
<b>Total Gross Expenditure</b>	<b>47.549</b>	<b>40.543</b>	<b>(7.006)</b>
<b>Net Expenditure</b>			
Business Transformation & Organisational Development	5.514	7.859	2.345
Childrens Services	0.578	0.861	0.283
Enabling Services	3.922	1.337	(2.585)
Environment	5.893	5.251	(0.642)
<b>Total Net Expenditure</b>	<b>15.907</b>	<b>15.308</b>	<b>(0.599)</b>

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. Capital receipts received in year were lower by £1.616 million than forecast at Full Council on 3 February 2021. The variance is largely due to slippage from receipts at Fairhill.

The breakdown of the Council's movement in Capital Financing Requirement is shown in **Note 35 Capital Expenditure and Capital Financing**, which shows expenditure on a gross expenditure basis.

#### (f) 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. **The Expenditure and 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**.

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

##### Expenditure and Funding Analysis

*The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. 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.*

The statement shows the net Surplus on Provision of Services of £21.442 million, increasing the General Fund Balance to £73.687 million. This differs from the net expenditure shown in the CIES of £5.821 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 9**.

### **Movement in Reserves Statement (MIRS)**

*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 the year Usable Reserves, which are cash backed and readily available to support services, rose by £21.268 million across Revenue, Capital and Schools. Included in the increase is £13.179 million in respect S31 grant, from central government, to offset reliefs given to businesses during lockdown and irrecoverable losses for Council Tax. Under the Collection Fund accounting rules the S31 grant recognised will not be discharged against the Collection Fund deficit until 2021/2022.

In addition to this, Unusable Reserves fell by £171.808 million during the financial year. The most significant movement was the Pensions Reserve movement of £146.036 million representing an increase in pension obligations resulting from actuarial losses arising from changes in financial assumptions, most notably inflation. 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)**

*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 explains how the Council's reserves have fallen by £150.541 million during the 2020/2021. The majority of the fall in Unusable Reserves is reflected within the Other Comprehensive Income and Expenditure section of the statement. A £136.058 million remeasurement of the net defined benefit liability, which is due to changes in financial assumptions used by the Actuary, and £8.662 million downward revaluation in operational properties. Further details are enclosed within **Note 39** on the movement of the net defined benefit liability and **Note 14** on downward operational property revaluations.

The positive movement posted to Usable Reserves is offset in part by a deficit of £5.821 million in the provision of services for the 2020/2021 financial year. The deficit 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 2020/2021. The statutory adjustments are detailed within **Note 9**.

### **Balance Sheet**

*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 & Unusable Reserves).*



The Balance Sheet reiterates the downward movement in Total Reserves of £150.541 million to a closing position as at 31 March 2021 of £155.526 million. This movement creates a corresponding increase in the Net Assets held by the Council at 31 March 2021.

Property, Plant and Equipment fell by £11.437 million as downward revaluations in the parts of the Council's operational property and land estate fell by more than acquisitions and capital asset enhancements.

Long Term Investments (the Council's strategic treasury investments) rose in value by £3.361 million in line with market conditions.

Short Term Debtors increased by £17.423 million reflecting the cash payment in advance to Bedfordshire Pension Fund in respect of the fixed element secondary rate Employers Pension Contribution of £8.132 million, and increased amounts due from Central Government in respect of Non-Domestic Rates.

The most significant movement is Long Term Liabilities, which saw the pension obligation rise by £146.036 million due to actuarial losses arising on changes in financial assumptions, most notably inflation. This increase in liability was offset by reduction in finance lease liability of £0.245 million resulting in net increase of £145.791 million.

### 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 (i.e. borrowing) to the authority.*

This statement restates the Comprehensive Income & Expenditure Statement for cash items only, stripping out accruals and other items such as depreciation and pension fund charges. The 2020/2021 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 24, 25 and 26**.

The detailed notes highlight operating cash flows are positive. Financing and investing net cash outflows offset operating cash flows resulting in a small fall in cash and cash equivalents.

### Collection Fund Statement

*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 £0.330 million as at 31 March 2021, compared to a surplus of £0.615 million at 31 March 2020. The deficit will be predominantly allocated out to the precepting bodies across a three year period in accordance with the Collection Fund deficit spreading scheme announced by the government in July 2020.

National Non-Domestic Rates (NNDR) collection shows a deficit of £26.882 million as at 31 March 2021 after allowing for a prudent provision for appeals and uncollectable debts, compared to a deficit of £4.509 million at 31 March 2020. The deficit will be primarily met in the 2021/2022 financial year through additional Section 31 grants that were made available to compensate the precepting authorities for losses of business rates yields in the Collection Fund due to the extended relief schemes provided to businesses and organisations through the Covid-19 pandemic.

### Bedfordshire Pension Fund Statement

*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 178 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.

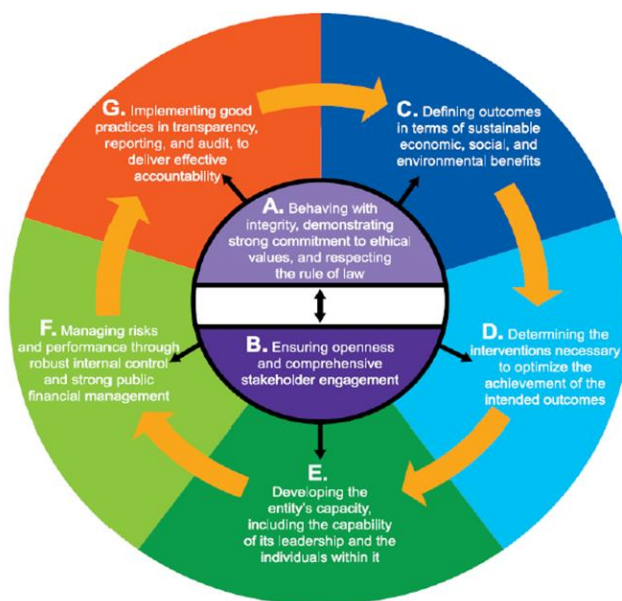
The accounts show the Net Asset Statement and the Fund Account (equivalent to the Income and Expenditure Account) of the Pension Fund. The Accounts do not include the Fund's long term liabilities. The Pension Fund's assets at 31 March 2021 stood at £2,757 million (£2,209 million 31 March 2020) an increase of £548 million (24.8%) on the previous year, as explained in the Fund Account.

### Annual Governance Statement

*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. The Annual Governance Statement explains how Bedford Borough Council has complied with its local code and also how we meet the requirements of the Accounts and Audit (England) Regulations 2015, as amended by The Accounts and Audit (Coronavirus)(Amendment) Regulations 2021 in March 2021, which require it to publish an Annual Governance Statement.

The Council's Local 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:



The Covid-19 pandemic impacted the Council's service provision, residents, and workforce from March 2020. The Annual Governance Statement assesses the governance arrangements in place during 2020/21. The Covid-19 pandemic affected all of the 2020/21 financial year.

The aim of the Council's response to the pandemic was to mitigate the impact of Covid-19 on residents and business of Bedford Borough, and continue to deliver the prioritised activities. Central government introduced various financial support schemes, and grants, which were required to be administered by Local Authorities, including:

- Business Support Grants (various schemes);
- Community Hub (food shopping, medicine collections and welfare support for self-isolating/vulnerable residents);
- Test & Trace payments;
- Free School Meal vouchers (holiday support);
- Laptops for school children;
- Mutual Aid Payments for Adult Social Care providers;
- Infection Control Grant (Social Care settings);
- Covid-19 Compliance & Enforcement grant (Environmental Health);
- Expansion of the Council Tax Support scheme;
- Business Rates relief for the financial year 2020/21, for businesses in the Retail, Hospitality and Leisure sectors;
- Housing of rough sleepers in local hotels as part of the "Everyone In" initiative;
- Public Health Outbreak Management Funding; and
- Culture Recovery Grant.

Given the large number and value of financial transactions involved, these financial support schemes introduced a heightened risk of fraud. Internal Audit requested all service areas to complete a fraud risk assessment to aid identification of the areas at most risk of fraud. This resulted in audit resources being deployed in various payment processes to help prevent and detect any fraudulent transactions.

Whilst Internal Audit have carried out some specific targeted Covid-19 fraud work, this does not address all the potential risks of fraud posed by the Covid-19 pandemic. The Internal Audit plan was revised in July 2020, and presented to Audit Committee, to address emerging risks and to remove some lower risk areas.

In addition, the Internal Audit team have remained alert to any Covid-19-specific risks in their day-to-day work, and have adjusted audit testing programmes accordingly.

Arrangements were made for the conduct of Council meetings using a virtual environment (WebEx) and therefore the Council's decision-making processes have continued to operate. In terms of the Council's internal control framework, the majority of the authorisation controls are electronic/system driven and Covid-19 did not impact on these in a significant way. The Council moved to agile and home-working arrangements from mid-March 2020 as part of business continuity arrangements, putting to the test the Council's already well-advanced agile working policy.

## **(h) 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: 'Bedford Borough, the place to grow' is our plan for growth.

Due to the impact of the pandemic and a number of other uncertainties, the current Corporate Plan was extended for a further year (until March 2022), this enables the Council to consider the implications of the pandemic and refresh the key strategic themes and drivers and devise the objectives accordingly for the 2022-2026 Corporate Plan.

Councils face continuing and growing demand in the coming years for services, acute cost pressures, and addressing the ongoing implications of the Covid-19 pandemic while at the same time needing to deliver good local services, increased value for money and strong leadership.

- 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 current Corporate Plan:

- **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.

The Council's transformation programme is aligned with the Council's Corporate Plan 2017-2021 (extended until March 2022). The Corporate Plan sets out the changes to the operating model in relation to support and enabling activities and strategic core activities. How these are organised (structures), delivered (commissioned / procured) and process re-engineered (digital operating model) will reduce the cost of delivery.

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. 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, Management Team, Performance Clinics, Overview & Scrutiny Committees, Senior Leadership Teams, Health and Wellbeing Board etc.). 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.

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 (including ongoing implications of the pandemic) we continue to face.

### **Summary Performance Information from 2020/2021 (Provisional Figures)**

A summary of the Key Performance Indicators for 2019/2020 & 2020/2021 is set out below:

		% Key Indicators for 2019/20				% Key Indicators for 2020/21			
RAG		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Green		63	68	64	61	68	67	67	71
Amber		23	19	26	29	18	17	20	16
Red		14	14	11	10	14	16	13	13
Green	& Amber	86	87	90	90	86	84	88	87

For 2020/2021, 86% (143 out of 167) of our key performance indicators rated as either 'Green' or 'Amber'. This is a noticeable decrease on last year's (2019/2020) outturn (90%); the decrease can be attributed to many pressures affecting the public sector including the impact of the pandemic and other uncertainties including financial pressures.

Note: There are an additional 97 indicators that are not RAG rated. The reasons for this include:

- Indicators that are for context only,
- Where a target has not been set (or it's not appropriate to set one), including indicators that are baseline (i.e. first year of reporting),
- Where there is a lag in data i.e. no data available for the current year.

Key performance successes and challenges for 2020/21 include:

### Successes:

- The % of children looked after whose cases were reviewed to timescale remained at 100%;
- To reflect effective management of caseloads within Children's Social Care, the percentage of Single Assessments completed in less than 45 working days improved significantly from 76% in 2019/2020 to 90.7% in 2020/2021;
- Adult Social Care - Timeliness of social care packages following assessment within 28 days improved from 80.1% in 2019/2020 to 92.8% in 2021/2022;
- Carers receiving needs assessment or review and a specific carer's service, or advice and information improved from 37.1% in 2019/2020 to 43.1% in 2020/2021. Despite the improvement, the service will continue to monitor and engage with carer's in order to achieve a better understand of what level of support carers are seeking during the ongoing Covid-19 Pandemic;
- Fly-tipping - The number of Environmental Enforcement Actions, including: Investigations, Statutory Notice, Warning Letter, Fixed Penalty Notice, Duty of Care Inspection and others such as Stop & Search, Vehicles Seized, Formal Caution, Prosecution and Injunction increased by almost 30%;
- Nearly all residual waste was collected as expected, this was in line with last year's excellent performance of 99.96%, 2020/2021 performance (despite all the challenges of the pandemic) was 99.94%;
- The rate (per 100,000 households) of standard refuse collections that were missed and the number of assisted refuse collections that were missed both saw a significant turnaround in challenging performance from the beginning of the year; the supervisory teams and crews have worked extremely hard with the overview of Senior Management to turn around the high numbers of the first 6 months, this was heavily impacted by Covid-19. This has resulted in a significant reduction for Q4, bringing the indicator at year-end to within target;
- Bedford Borough saw an estimated 80% reduction in the number of rough sleepers; 6 people in 2020 compared with 30 people in 2019;
- The number of days/shifts lost to the authority due to sickness absence (average days FTE per employee) improved considerably again from 8.93 days to 6.65 days i.e. a reduction of 2.28 days, this is equivalent to approximately 3,650 less FTE days lost to sickness;

### Challenges:

- Public Health - A large number of public health indicators have been impacted due to the pandemic (including but not limited to):
  - Stopping Smoking - Due to the impact of Covid-19, the commissioning of GPs to deliver Level 2 provision in the community settings continues to be largely paused, leading to a significant deficit in overall capacity to deliver the service. We would anticipate that, although we are working with primary care to improve performance, adjustments are likely to take place to the way that services are delivered in the coming months; we do not expect this to be anything like a return to pre-pandemic levels. Stakeholder Analysis and Customer Insights work is planned and an Options Appraisal will be drawn up, following the learning from to propose possible future models of delivery;
  - Health Checks - The number of Health Checks offered and delivered in Primary Care has remained minimal due to the continued impact of Covid-19 on routine GP services, delivery should increase in 2021/2022 however, this is still reliant on Covid-19 numbers remaining low, and the pace of practices getting back to business as usual will vary. The public health team is exploring alternative delivery models to support primary care;
  - Adults and Children participating in / or completing the MoreLife weight management intervention have been impacted by limited referrals from primary care and the transition to self-referrals. In addition, this has been impacted by the temporary pause in the National Child Measurement Programme and limited physical community engagement opportunities.

- **Adults' Services** - A large number of Adults' Services indicators were also impacted by the pandemic (including but not limited to):
  - The proportion of carers using social care who receive self-directed support. This was 74% against a target of 85% at year-end 2020/21 (compared to 96.6% in 2019/20). During the Covid-19 pandemic there was a reduction in the number of payments and requests for assessment was seen, this was also impacted by reduced activity in the community (used by carers to assess support needs). The ongoing work with Carers in Bedfordshire has ensured, where possible, carers are signposted to the adults social care section of the council's website. Social workers and the duty hub are also providing support. The authority will continue to encourage self-directed care to support carers to avoid a carers crisis;
  - The number of service users receiving a review, as a percentage of all service users in receipt of support services was 56.1% against a target of 70% at the end of 2020/21. The pandemic has had a negative impact particularly for those clients in nursing or residential settings where face-to-face reviews are not appropriate. The service has used more telephone reviews with some success, with fewer people requesting face-to-face meetings. Agile technology has enabled the authority to break through some barriers with both sides embracing this change. However, for a number of cases this method of review is not possible, going forward a risk based approach to reviews will be adopted;
  - Achieving independence for older people through rehabilitation / intermediate care, i.e. people who remain at home 91 days after hospital discharge was 70.4% against a target of 85%. During the initial national lockdown health undertook responsibility for acute discharges, which meant some of their rehabilitation and enablement teams, realigned their focus. Unfortunately, the established and proven pathway developed by Adults' Services was bypassed by health when taking over discharges. Following the Covid-19 pandemic the authority expects numbers to return to pre-national lockdown levels. High pressure for beds meant people returned home with higher clinical needs and support focused on this rather than solely rehabilitation needs. The authority continues to work with health colleagues to identify people leaving their post discharge services;
  - The overall percentage of new Short-Term service clients achieving independence (i.e. not resulting in a long-term service) was 59.2% against a target of 70% at year-end 2020/21 compared to 86.2% at the end of 2019/20. Again, Covid-19 has had a negative impact as there continues to be a higher level of acuity and complexity. Work continues on developing responses which will be supported by the next phase of the strength based practice programme;
- **Environment - Fly-tipping** - The number of incidents of fly tipping was 3,063 against an annual target of 2,500. This is a significant increase and affected the requests made to the Enviro Crime team and ability to maintain service standards with their existing staffing levels. The biggest rise was in black bags of household waste, and a lot more household waste being generated due to more people being at home (the tidy tip was also either closed or had reduced provision), this combined with the increase of usage across our parks and open spaces resulted in increased instances of waste being left.
- **Economic Development/Growth** - The percentage of retail space vacant was 19.0% against a target of 10.3%; this has been majorly impacted by the pandemic. Discussions have been held with key partners (including the Harpur Centre) to understand the anticipated pressures and to develop a roadmap for a return to some form of normality (this will need to take into consideration peoples changed behaviour). The council's aim is to bring back people safely through activity trails, specialist markets and joint messaging with the Bedford Improvement District. The instillation and completion of public realm improvements, including Allhallows and Silver Street Square, the High Street works and also working with broadband installers to bring fibre to the town centre to enable 5G and better broadband provision for leisure based activities will all play a key role in the proposition for town centre users to return and utilise. The Council is also working with private sector stakeholders and building owners

regarding their vacant assets, aiding efforts to improve appearance while un-occupied and collaborating to identify occupiers and potential future alternative uses.

- The percentage of households for whom homelessness was prevented was 13.8% against a target of 21.5% (high is good), this was impacted by a change in guidance around prevention. The Prevention Duty now applies when the authority is satisfied that an applicant is threatened with homelessness and as such eligible for assistance. As a direct result of this change, there has been more overlapping cases throughout 2020/21 resulting in more individuals that have required an assessment to be undertaken to ensure that a potential homelessness situation is prevented from occurring.
- Local Land Charges Searches processed within 10 working days was 73.5% against a target of 95%. The Stamp Duty “holiday” has significantly increased the submission for the number of Land Charge Searches, this has been compounded resources being diverted to cover the additional workload required in the run up to elections.

The anticipated adverse impact of the Covid-19 pandemic on performance was taken into consideration during the target setting process for 2020/2021. Target setting for 2021/2022 will be undertaken on the same premise. Overall, taking into consideration the challenging but realistic targets that had been set, we are pleased that in the current financial and public health climate and period of considerable change we have been able to sustain strong performance against our strategic objectives.

### ***Future Prospects***

The Covid-19 pandemic continues to have a direct, or indirect, effect on performance for a number of indicators impacted by national lockdowns, closures, limitations, reduced staffing numbers (self-isolation or social distancing) or otherwise adapting to conform to Government and Public Health guidelines. The challenge facing Bedford Borough Council of the ongoing pandemic is likely to influence key indicator outturn for 2021/2022 and the objectives within the Corporate Plan 2022-2026.



## 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 2021 and income and expenditure for the year ended 31 March 2021.

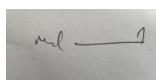
Signed: 

Date: 16 December 2021

**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 29 November 2021.

Signed 

Date: 16 December 2021

**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.

2019/20			2020/21			
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£000	£000	£000	£000	£000	£000	
51,968	976	52,943	Adult Services	47,361	360	47,721
27,545	1,404	28,948	Children's Services	32,443	7,850	40,293
(6,086)	8,021	1,934	Corporate	(18,472)	20,238	1,766
16,063	1,488	17,552	Business Transformation & Organisational Development	23,141	1,933	25,074
4,434	12,595	17,029	Enabling Services	5,243	7,219	12,462
27,806	6,601	34,407	Environment	31,522	20,093	51,615
3,886	361	4,247	Chief Executive	4,639	208	4,847
178	60	237	Public Health	(421)	51	(369)
0	0	0	Covid-19	4,639	0	4,639
125,793	31,506	157,298	Net Cost of Services	130,095	57,951	188,046
(131,817)	(23,728)	(155,545)	Other (Income) and Expenditure	(151,537)	(30,689)	(182,226)
(6,024)	7,776	1,753	(Surplus) or Deficit on Provision of Services	(21,442)	27,262	5,821
(46,223)			Opening Combined General Fund Balance	(52,246)		
(6,024)			Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	(21,442)		
(52,246)			Closing Combined General Fund Balance	(73,687)		

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.

2019/20			2020/21			
Expenditure	Income	Net	Expenditure	Income	Net	
£000	£000	£000	£000	£000	£000	
81,078	(28,135)	52,943	Adult Services	78,826	(31,105)	47,721
130,895	(101,947)	28,948	Children's Services	141,190	(100,897)	40,293
4,259	(2,324)	1,935	Corporate	4,272	(2,506)	1,766
63,423	(45,871)	17,552	Business Transformation & Organisational Development	70,960	(45,886)	25,074
21,594	(4,565)	17,029	Enabling Services	15,643	(3,181)	12,462
55,062	(20,655)	34,407	Environment	66,783	(15,168)	51,615
6,246	(1,999)	4,247	Chief Executive	6,445	(1,598)	4,847
7,524	(7,287)	237	Public Health	9,535	(9,904)	(369)
0	0	0	Covid-19	13,882	(9,243)	4,639
370,081	(212,783)	157,298	Cost of Services	407,535	(219,488)	188,046
2,414	(162)	2,252	Other Operating Expenditure (Note11)	2,523	(1)	2,522
30,338	(17,326)	13,011	Financing and Investment Income and Expenditure (Note 12)	12,975	(16,041)	(3,066)
0	(170,808)	(170,808)	Taxation and Non Specific Grant Income (Note 13)	0	(181,682)	(181,682)
402,833	(401,080)	1,753	(Surplus) or Deficit on Provision of Services	423,032	(417,212)	5,821
		(25,085)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 23)	8,662		
		(14,076)	Remeasurement of the net defined benefit liability / asset (Note 39)	136,058		
		(39,161)	Other Comprehensive (Income) and Expenditure	144,720		
		(37,408)	Total Comprehensive (Income) and Expenditure	150,541		

Expenditure recognised in the Cost of Services rose by £37.454 million. £13.882 million was in respect of Covid-19. £21.344 was in respect of the movement in revaluations recognised in the CIES (£13.822 million downward revaluation 2021/2022, compared to £7.522 million upward revaluation 2019/2020).

Income in Cost of Services increased by the value of ring-fenced Covid-19 grants received.

## 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 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
<b>Balance at 31 March 2020</b>	(16,316)	(35,929)	(52,246)	0	(14,611)	<b>(66,857)</b>	(239,210)	<b>(306,067)</b>
<b>Movement in reserves during 2020/21</b>								
(Surplus) or deficit on the provision of services	5,821		5,821			<b>5,821</b>		<b>5,821</b>
Other Comprehensive Income / Expenditure							144,720	<b>144,720</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>5,821</b>	<b>0</b>	<b>5,821</b>			<b>5,821</b>	<b>144,720</b>	<b>150,541</b>
Adjustments between accounting basis and funding basis under regulations	(27,262)		(27,262)	0	174	<b>(27,088)</b>	27,088	<b>0</b>
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(21,442)</b>	<b>0</b>	<b>(21,442)</b>	<b>0</b>	<b>174</b>	<b>(21,268)</b>	<b>171,809</b>	<b>150,541</b>
Transfers to / from Earmarked Reserves	19,983	(19,983)	0			<b>0</b>	0	<b>0</b>
<b>(Increase) or Decrease in 2020/21</b>	<b>(1,458)</b>	<b>(19,983)</b>	<b>(21,442)</b>	<b>0</b>	<b>174</b>	<b>(21,268)</b>	<b>171,809</b>	<b>150,541</b>
<b>Balance at 31 March 2021</b>	<b>(17,775)</b>	<b>(55,912)</b>	<b>(73,687)</b>	<b>0</b>	<b>(14,438)</b>	<b>(88,125)</b>	<b>(67,402)</b>	<b>(155,526)</b>



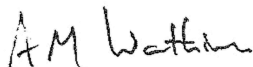
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2019</b>	(12,859)	(33,365)	(46,224)	0	(9,044)	<b>(55,268)</b>	(213,392)	<b>(268,660)</b>
<b>Movement in reserves during 2019/20</b>								
(Surplus) or deficit on the provision of services	1,753		1,753			<b>1,753</b>		<b>1,753</b>
Other Comprehensive Income / Expenditure							(39,161)	<b>(39,161)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>1,753</b>	<b>0</b>	<b>1,753</b>			<b>1,753</b>	<b>(39,161)</b>	<b>(37,408)</b>
Adjustments between accounting basis and funding basis under regulations	(7,776)		(7,776)	0	(5,568)	<b>(13,344)</b>	13,344	<b>0</b>
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(6,023)</b>	<b>0</b>	<b>(6,023)</b>	<b>0</b>	<b>(5,568)</b>	<b>(11,591)</b>	<b>(25,817)</b>	<b>(37,408)</b>
Transfers to / from Earmarked Reserves	2,563	(2,563)	0			<b>0</b>	0	<b>0</b>
<b>(Increase) or Decrease in 2019/20</b>	<b>(3,460)</b>	<b>(2,563)</b>	<b>(6,023)</b>	<b>0</b>	<b>(5,568)</b>	<b>(11,591)</b>	<b>(25,817)</b>	<b>(37,408)</b>
<b>Balance at 31 March 2020</b>	<b>(16,316)</b>	<b>(35,929)</b>	<b>(52,246)</b>	<b>0</b>	<b>(14,611)</b>	<b>(66,857)</b>	<b>(239,210)</b>	<b>(306,067)</b>

## 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 2020		Notes	31 March 2021
£000			£000
608,079	Property, Plant and Equipment	14	596,642
6,554	Heritage Assets	43	6,554
65,013	Investment Property	15	61,951
9,388	Intangible Assets	16	9,564
31,551	Long-Term Investments	17	34,912
1,780	Long-Term Debtors	17A & 18	9,776
<b>722,366</b>	<b>Long Term Assets</b>		<b>719,399</b>
9,250	Current Assets Held for Sale Investment Property	15	11,530
35,371	Short-Term Debtors	18	52,794
22,882	Cash and Cash Equivalents	19	24,312
<b>67,503</b>	<b>Current Assets</b>		<b>88,636</b>
(2,908)	Short-Term Borrowing	17	(3,730)
(62,337)	Short-Term Creditors	20	(79,974)
(9,188)	Provisions	21	(10,696)
<b>(74,434)</b>	<b>Current Liabilities</b>		<b>(94,400)</b>
(3,023)	Provisions	21	(2,532)
(64,909)	Long-Term Borrowing	17	(64,853)
(321,419)	Other Long-Term Liabilities	36 & 39	(467,210)
(962)	Donated Assets Account	33	(962)
(19,054)	Grants Receipts in Advance - Capital	33	(22,553)
<b>(409,367)</b>	<b>Long Term Liabilities</b>		<b>(558,110)</b>
<b>306,067</b>	<b>Net Assets</b>		<b>155,526</b>
(66,857)	Usable Reserves	10 & 22	(88,125)
(239,210)	Unusable Reserves	23	(67,402)
<b>(306,067)</b>	<b>Total Reserves</b>		<b>(155,526)</b>

I certify that the Balance Sheet represents a true and fair view of the Authority's financial position as at 31 March 2021. These financial statements replace the unaudited financial statements certified by the s151 officer on 29 November 2021.

Signed: 

Date: 16 December 2021

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.

2019/20		2020/21
£000		£000
1,753	Net (surplus) or deficit on the provision of services	5,821
(39,124)	Adjustment to surplus or deficit on the provision of services for noncash movements	(53,399)
29,093	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	30,029
<b>(8,278)</b>	<b>Net cash flows from operating activities</b>	<b>(17,549)</b>
(7,950)	Net cash flows from investing activities	3,610
6,400	Net cash flows from financing activities	12,509
<b>(9,828)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(1,430)</b>
13,054	Cash and cash equivalents at the beginning of the reporting period	22,882
<b>22,882</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>24,312</b>

The cash flow movements above are broken down into detail disclosure notes identifying operating, investing and financing activities within **Notes 24, 25 and 26**

## Note 1 - Accounting Policies

### A GENERAL

The Statement of Accounts summarises the authority's transactions for the 2020/2021 financial year and its position at the year-end of 31 March 2021. 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 2020/2021, 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 CIPFA Code of Practice on Local Authority Accounting confirms that the local authority accounts must be prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for 12 months from the date that the accounts are authorised for issue. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for 12 months from the date of the approval of the accounts and therefore the accounts have been prepared on an ongoing basis.

In forming the conclusion that it is appropriate for the accounts to be prepared on going concern for the period to 31 December 2022, the Council has carried out, and continues to undertake, detailed assessment of the likely impact of Covid-19 on its financial position and performance during 2021/2022 and beyond. This includes consideration of:

- Loss of income due to temporary closures, reductions in demand, and the increased collection losses, being given consideration on a service and department basis.
- Additional expenditure incurred on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).
- Incorporating all changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which then sit alongside this.
- The impact on the Council's capital programme, e.g. whether there is a need to rephase work, including where delays are as a result of government restrictions.
- The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash, impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the Council's General Fund Reserves.

This review has highlighted that Covid-19 poses a financial challenge for the Council, as it will for all local authorities. The Council has reflected the impact of Covid-19 in the Medium-Term Financial Strategy (MTFS) Report presented to Full Council on 14 October 2020 and subsequent update to Full Council on 17 March 2021 and most recently 13 October 2021. These reports set the scene for the approach to the Medium-Term Financial Strategy to 2025/2026. As part of the MTFS process the Council considers a range of scenarios that may impact upon its medium term forecast position; the report sets out the following risks that inform these scenarios, these being economic, demand led, climate change and funding risks. These, in turn, provide four reported scenarios being optimistic, pessimistic, negative economic view and the central case (this is the position that is utilised as the benchmark level).

The General Fund balance is considered as part of the MTFS as it relates to financial resilience. The risk assessment for the General Fund was updated to reflect the perceived risk profile. This included reference to (i) History – given recent outturn positions, the Section 25 report (forming part of the annual budget process) and the embedded financial control was no longer deemed a driver of

risk, (ii) Legislative risk being changes over the medium term that may impact upon the Council's operating costs and additionally includes climate related risk at corporate level.

The Council undertakes cash flow forecasting and assesses the adequacy of liquidity regularly. The current projection through to 31 December 2022 shows a positive cash position throughout the Going Concern period, albeit at a reducing level.

Projections in the Treasury Management Strategy Statement, approved by Full Council 3 February 2021, indicate a possible need for short-term in-year borrowing commencing 2021/2022 through to 2028/2029 in order to sustain sufficient levels of investments and liquidity. During 2021/2022 to date (30 November 2021) cash levels have exceeded expectations and no borrowing is now forecast at any point during this year. Borrowing will be sourced from other local authorities or from the PWLB. As at 31 May 2021 there is £90.6 million headroom between current borrowing (£65.3 million as of 31 May 2021) and 31 March 2022 forecast Capital Financing Requirement (CFR) of £155.9 million. In addition to this the Council's Operational Boundary and Authorised Borrowing Limit is £150 million and £160 million respectively which gives sufficient headroom to borrow should it be required.

By way of further context, the General Fund balance as at 31 March 2021 stood at £15 million after taking into account £2.8 million earmarked for the Covid-19 response, which is at the top of the Risk Assessed range of £12 million to £15 million. The Council also has other earmarked reserve balances of £32.6 million (excluding Schools, Public Health and Collection Fund Deficit grant), which could be called upon if necessary. As at 31 March 2023 the General Fund balance is currently projected to be £14.0 million (after taking into account £2.8 million earmarked for the Covid-19 response), a reduction of £1 million, and earmarked reserve balances that could be called upon are forecast to be £23.0 million.

Therefore, there is significant headroom within the General Fund and other Earmarked Reserves to absorb the estimated financial impact of Covid-19 in the short to medium-term.

## **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 or 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 managed 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 2021 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. There was no significant or material activity undertaken by BBL and it did not have any assets or liabilities at 31 March 2021, 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 where they are material. The Council does not hold any material values of inventories, instead values are expensed to the Surplus of Deficit on the Provision of Services.

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 January). 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 January 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 (before 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 (£6 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: Academy, Voluntary Aided (VA) and Voluntary Controlled (VC) schools (though the playing fields of VA / VC schools are included). Foundation Trust and Community Schools are included in the Council's Balance Sheet.

## 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 2020/21 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 2020/2021 and 2021/2022 financial statements in respect of accounting changes that are introduced in the 2021/2022 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- a) Definition of a Business: Amendments to IFRS 3 Business Combinations
- b) Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- c) Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These changes are not expected to have a material impact on the Council's 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 affect the Council's Corporate Plan and associated strategies and policies. 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. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce the 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
<b>Pensions Liability</b>	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.	<p>The effects on the Net Pensions Liability of changes in individual assumptions have been calculated as being:</p> <ul style="list-style-type: none"> <li>▪ A decrease in the Discount Rate of 0.1% would increase the employer liability by approximately 2.0% (£18.5 million)</li> <li>▪ An increase in the salary increase rate of 0.1% would increase the employer liability by approximately 0.1% (£1.4 million)</li> <li>▪ An increase in the pension increase rate of 0.1% would increase the employer liability by approximately 1.8% (£17.1 million)</li> </ul>
<b>Arrears</b>	At 31 March 2021, the Council had a balance of debtors for £59.061 million. A review of significant balances suggested that an impairment of doubtful debts of £6.632 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 £6.632 million to set aside as an allowance.
<b>Fair Value Measurements</b>	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	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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>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.</p>	<p>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.</p>
<b>Property Plant &amp; Equipment</b>	<p>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.</p> <p>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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge would increase by £2.3 million if the useful lives were reduced by one year.</p>
<b>Non- Domestic Rates (NDR) Appeals</b>	<p>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.</p>	<p>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 £5.715 million.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Material Valuation Uncertainty</b>	<p>The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date certain property markets were functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly and for the avoidance of doubt the valuations are not reported as being subject to generic 'material valuation uncertainty' as defined by Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 and RICS UK National Supplement ('Red Book').</p> <p>However, in respect of certain sectors, as at the valuation date, the Council continues to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base judgements. Valuation of certain properties is therefore subject to 'material valuation uncertainty' in the following sectors:</p> <ul style="list-style-type: none"> <li>• Town Centre Retail premises</li> <li>• Leisure premises</li> <li>• Office premises</li> </ul> <p>Consequently, in respect of these valuations, less certainty and higher degree of caution should be attached to these valuations than would normally be the case. The inclusion of this declaration does not mean that valuation cannot be relied upon.</p>	<p>The uncertainty declaration is in respect of Investment Properties totalling £14.218 million. A reduction in value of 10% would result in valuations being £1.422 million lower than stated, however revaluations do not impact on the General Fund Balance.</p>

## 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 2020/2021, the CIES incurred depreciation impairment charges of £18.948 million (£17.379 million in 2019/2020) and net revaluation decrease of £13.847 million (£5.974 million increase in 2019/2020). 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 14 June 2021. 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. There are no events known to the Council which would need to be registered as events after the Balance Sheet date.

## 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.

	2020/21			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Adult Services	(257)	331	286	360
Children's Services	7,613	903	(666)	7,850
Corporate	(3,671)	502	23,406	20,238
Business Transformation & Organisational Development	1,340	294	299	1,933
Enabling Services	3,166	161	3,891	7,219
Environment	19,763	513	(183)	20,093
Chief Executive	11	85	112	208
Public Health	0	25	26	51
Covid-19	0	1	(1)	0
<b>Net Cost of Services</b>	<b>27,964</b>	<b>2,816</b>	<b>27,171</b>	<b>57,951</b>
Other Income and Expenditure	(19,784)	7,162	(18,067)	(30,689)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>8,180</b>	<b>9,978</b>	<b>9,104</b>	<b>27,262</b>

	2019/20			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Adult Services	123	823	30	976
Children's Services	(1,099)	2,289	214	1,404
Corporate	(2,321)	1,038	9,304	8,021
Business Transformation & Organisational Development	845	612	31	1,488
Enabling Services	7,723	443	4,429	12,595
Environment	5,991	1,244	(633)	6,601
Chief Executive	146	219	(4)	361
Public Health	0	56	4	60
Covid-19	0	0	0	0
<b>Net Cost of Services</b>	<b>11,408</b>	<b>6,724</b>	<b>13,374</b>	<b>31,506</b>
Other Income and Expenditure	(26,338)	7,497	(4,887)	(23,728)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(14,930)</b>	<b>14,221</b>	<b>8,486</b>	<b>7,776</b>

#### Note 1) Net Capital Statutory Adjustments

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 Pensions Statutory 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) Other Statutory Adjustments and 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.

The transfer of income and expenditure included in service management accounts which are designated as Other Comprehensive Income and Expenditure 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 8 - Expenditure and Income Analysed by Nature

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

2019/20		2020/21
£000	Nature of Expenditure or Income	£000
(71,493)	Fees, charges and other service income	(58,495)
(6,918)	Interest and investment income	(13,304)
(125,214)	Income from local taxation	(119,398)
(191,683)	Government grants and contributions	(227,487)
139,914	Employee benefits expenses	145,092
1,214	Support service recharge expenditure	1,216
221,655	Other service expenses	227,008
11,184	Depreciation, amortisation and impairment	32,060
20,842	Interest payments	18,495
2,414	Precepts and levies	2,523
(162)	Gain or loss on disposal of non-current assets	(1,889)
<b>1,753</b>	<b>Surplus or Deficit for Year</b>	<b>5,821</b>

## Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure 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.

2020/2021	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)	(9,978)			9,978
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	19			(19)
Changes in fair value of pooled investments	3,361			(3,361)
Council tax and NDR (transfers to or from the Collection Fund)	(11,752)			11,752
Holiday pay (transferred to the Accumulated Absences reserve)	(732)			732
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)	(25,647)		(6,721)	32,368
<b>Total Adjustments to Revenue Resources</b>	<b>(44,729)</b>	<b>0</b>	<b>(6,721)</b>	<b>51,450</b>
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,651	(6,651)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	3,949			(3,949)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,867			(6,867)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>17,467</b>	<b>(6,651)</b>	<b>0</b>	<b>(10,816)</b>
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		11,425		(11,425)
Application of capital grants to finance capital expenditure			6,895	(6,895)
Cash payments in relation to deferred capital receipts		(4,775)		4,775
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>6,651</b>	<b>6,895</b>	<b>(13,546)</b>
<b>Total Adjustments</b>	<b>(27,262)</b>	<b>0</b>	<b>174</b>	<b>27,088</b>

2019/2020	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to the Revenue Resources</b>				
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)	(14,221)			14,221
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(4)			4
Changes in fair value of pooled investments	(5,609)			5,609
Council tax and NDR (transfers to or from the Collection Fund)	(2,545)			2,545
Holiday pay (transferred to the Accumulated Absences reserve)	(328)			328
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)	8,256		(11,031)	2,774
<b>Total Adjustments to Revenue Resources</b>	<b>(14,452)</b>	<b>0</b>	<b>(11,031)</b>	<b>25,482</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	172	(172)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	2,601			(2,601)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,904			(3,904)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,676</b>	<b>(172)</b>	<b>0</b>	<b>(6,504)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		5,029		(5,029)
Application of capital grants to finance capital expenditure			5,463	(5,463)
Cash payments in relation to deferred capital receipts		(4,857)		4,857
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>172</b>	<b>5,463</b>	<b>(5,634)</b>
<b>Total Adjustments</b>	<b>(7,776)</b>	<b>0</b>	<b>(5,568)</b>	<b>13,343</b>

**General Fund Balance** - The General Fund is the statutory fund into which all the receipts of an authority are required to be 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 31 March 2019 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2020 £000	Reserve Description	Balance 31 March 2020 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2021 £000
(2,461)	324	0	(2,137)	Adult Services	(2,137)	1,017	(1,417)	(2,537)
(10,645)	2,895	(760)	(8,510)	Business Transformation and Organisational Development	(8,510)	373	(2,834)	(10,971)
(1,457)	803	(400)	(1,053)	Chief Executives	(1,053)	502	(400)	(952)
(1,073)	589	(141)	(626)	Childrens Services	(626)	0	(152)	(778)
(6,263)	3,522	(5,637)	(8,377)	Corporate	(8,377)	2,211	(2,356)	(8,522)
(5,815)	3,152	(3,031)	(5,695)	Enabling Services	(5,695)	2,045	(2,908)	(6,558)
(1,873)	1,036	(811)	(1,647)	Environment Services	(1,647)	284	(944)	(2,307)
(814)	189	(173)	(798)	Public Health	(798)	332	(929)	(1,395)
0	0	0	0	*Business Rates Deficit & Tax Income Guarantee	0	0	(13,179)	(13,179)
<b>(30,401)</b>	<b>12,511</b>	<b>(10,954)</b>	<b>(28,843)</b>	<b>Earmarked Reserves</b>	<b>(28,843)</b>	<b>6,763</b>	<b>(25,119)</b>	<b>(47,199)</b>
(2,963)	759	(2,311)	(4,515)	Schools Reserves	(4,515)	372	(2,197)	(6,340)
0	0	(2,571)	(2,571)	Schools Reserves - DSG	(2,571)	1,531	(1,333)	(2,373)
<b>(33,364)</b>	<b>13,270</b>	<b>(15,835)</b>	<b>(35,929)</b>	<b>Earmarked Reserves (Including Schools)</b>	<b>(35,929)</b>	<b>8,666</b>	<b>(28,649)</b>	<b>(55,912)</b>
(12,858)	800	(4,259)	(16,317)	General Fund Balance	(16,317)	0	(1,457)	(17,774)
<b>(46,222)</b>	<b>14,070</b>	<b>(20,094)</b>	<b>(52,246)</b>	<b>Total General Fund Reserves</b>	<b>(52,246)</b>	<b>8,666</b>	<b>(30,105)</b>	<b>(73,686)</b>

\*During 2020/2021 the Council received S31 grants to offset the reliefs given to businesses during lockdown and irrecoverable losses for council tax. Under the Collection Fund accounting rules, the S31 grant received will not be discharged against the Collection Fund deficit until 2021/2022. The S31 grant is therefore transferred to an earmarked reserve within the General Fund to be used in 2021/2022 to fund the element of the estimated Collection Fund deficit at 31 March 2021 which is transferred from the Collection Fund Adjustment Account back to the General Fund.

## 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.

2019/20		2020/21
£000		£000
1,740	Precepts	1,835
675	Levies	687
(162)	Gains/losses on the Disposal of Non-Current Assets	(1)
<b>2,252</b>	<b>Total Other Operating Expenditure</b>	<b>2,522</b>

## 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.

2019/20		2020/21
£000		£000
3,346	Interest payable and similar charges	3,229
7,497	Net interest on the net defined benefit liability (asset)	7,162
(2,528)	Interest receivable and similar income	(1,839)
(913)	*(Income) and expenditure in relation to investment properties and changes in their fair value	(8,257)
5,609	(Gains)/losses on revaluation of pooled funds	(3,361)
<b>13,011</b>	<b>Total</b>	<b>(3,066)</b>

\* Includes fair value increased of £2.652 million (fall of £3.498 million 2019/2020). Gain on disposal of £1.888 million (£0 2019/2020) and net income of £3.717 million (£4.412 million 2019/2020).

The value of financial instruments increased by £3.361 million in line with market conditions, compared to fall of £5.609 million in 2019/2020.

## 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.

2019/20		2020/21
£000		£000
(92,750)	Council tax income	(96,888)
(32,464)	Non-domestic rates income and expenditure	(22,509)
(15,920)	Non-ringfenced government grants	(47,041)
(29,674)	Capital grants and contributions	(15,243)
<b>(170,808)</b>	<b>Total</b>	<b>(181,682)</b>

Non-domestic rates income fell by £9.955 million due to reliefs and discounts awarded to ratepayers as a result of Covid-19 pandemic. This has resulted in a significant Collection Fund deficit in 2020/2021 – see **Collection Fund**. Non-specific government grants increased by £31.121 million reflecting government support for the Covid-19 response. The Council received S31 grant of £13.179 million which was allocated to an earmarked reserve to contribute to the Authority's business rates deficit on the Collection Fund due to the extension of rates reliefs to businesses. In addition, the Council received £16.364 million non-ringfenced grant income Covid-19 funding.

Capital grants and contributions fell by £14.431 million. See **Note 33 Grant Income** for analysis.

## Note 14 - Property, Plant and Equipment

### Movements to 31 March 2021

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>							
<b>at 1 April 2020</b>	385,018	50,419	262,636	5,960	2,827	716	<b>707,576</b>
Adjustments to cost/value & depreciation/impairment	(10,391)	0	0	0	0	0	<b>(10,391)</b>
Additions	913	2,149	19,946	4	0	7,188	<b>30,200</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8,521)	0	0	0	(142)	0	<b>(8,662)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(14,047)	0	0	0	201	0	<b>(13,847)</b>
Derecognition – disposals	0	(58)	0	0	(95)	0	<b>(153)</b>
Derecognition – other	0	(3,439)	(2,110)	0	0	0	<b>(5,549)</b>
Reclassifications and transfer	96	2	(2)	0	0	(184)	<b>(88)</b>
Other movements in cost or valuation	211	(723)	0	0	0	0	<b>(512)</b>
<b>at 31 March 2021</b>	<b>353,278</b>	<b>48,350</b>	<b>280,469</b>	<b>5,964</b>	<b>2,791</b>	<b>7,721</b>	<b>698,574</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2020</b>	(5,300)	(18,250)	(75,906)	0	(41)	0	<b>(99,497)</b>
Adjustments to cost/value & depreciation/impairment	10,391	0	0	0	0	0	<b>10,391</b>
Depreciation charge	(5,886)	(4,096)	(8,959)	0	(6)	0	<b>(18,948)</b>
Derecognition – disposals	0	58	0	0	0	0	<b>58</b>
Derecognition – other	0	3,439	2,110	0	0	0	<b>5,549</b>
Reclassifications and transfers	3	0	0	0	0	0	<b>3</b>
Other movements in depreciation and impairment	(211)	723	0	0	0	0	<b>512</b>
<b>at 31 March 2021</b>	<b>(1,003)</b>	<b>(18,127)</b>	<b>(82,756)</b>	<b>0</b>	<b>(46)</b>	<b>0</b>	<b>(101,932)</b>
<b>Net Book Value</b>							
<b>at 31 March 2021</b>	<b>352,275</b>	<b>30,223</b>	<b>197,714</b>	<b>5,964</b>	<b>2,745</b>	<b>7,721</b>	<b>596,642</b>
<b>at 31 March 2020</b>	<b>379,718</b>	<b>32,169</b>	<b>186,729</b>	<b>5,960</b>	<b>2,786</b>	<b>716</b>	<b>608,079</b>



## Movements to 31 March 2020

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>							
<b>at 1 April 2019</b>	<b>347,678</b>	<b>49,804</b>	<b>233,806</b>	<b>5,960</b>	<b>1,759</b>	<b>9,918</b>	<b>648,925</b>
Depreciation written out on revaluation	(9,547)	0	0	0	0	0	(9,547)
Additions	5,054	3,642	20,221	0	34	11,301	40,252
Revaluation increases/(decreases) recognised in the Revaluation Reserve	24,076	0	0	0	1,009	0	25,085
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	6,187	(237)	0	0	24	0	5,974
Derecognition – disposals	0	(1,131)	0	0	0	0	(1,131)
Derecognition – other	0	(2,694)	(93)	0		0	(2,787)
Reclassifications and transfer	11,291	1,315	8,702	0	0	(20,502)	805
Other movements in cost or valuation	280	(280)	0	0	0	0	0
<b>at 31 March 2020</b>	<b>385,018</b>	<b>50,419</b>	<b>262,636</b>	<b>5,960</b>	<b>2,827</b>	<b>716</b>	<b>707,576</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2019</b>	<b>(9,171)</b>	<b>(18,372)</b>	<b>(68,004)</b>	<b>0</b>	<b>(35)</b>	<b>0</b>	<b>(95,581)</b>
Adjustments to cost/value & depreciation/impairment	9,547	0	0	0	0	0	9,547
Depreciation charge	(5,602)	(3,775)	(7,996)	0	(6)	0	(17,379)
Derecognition – disposals	0	1,121	0	0	0	0	1,121
Derecognition – other	0	2,694	93	0		0	2,787
Reclassifications and transfers	(75)	82	0	0	0	0	7
<b>at 31 March 2020</b>	<b>(5,300)</b>	<b>(18,250)</b>	<b>(75,907)</b>	<b>0</b>	<b>(41)</b>	<b>0</b>	<b>(99,497)</b>
<b>Net Book Value</b>							
<b>at 31 March 2020</b>	<b>379,718</b>	<b>32,169</b>	<b>186,729</b>	<b>5,960</b>	<b>2,786</b>	<b>716</b>	<b>608,079</b>
<b>at 31 March 2019</b>	<b>338,507</b>	<b>31,432</b>	<b>165,802</b>	<b>5,960</b>	<b>1,724</b>	<b>9,918</b>	<b>553,344</b>

## 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 2021, the Council had entered into a number of contracts for the construction for enhancement of Property, Plant and Equipment in 2021/2022 and future years. The major commitments are:

31 March 2020		31 March 2021
£000	Capital Scheme	£000
4,975	Highways Works	20,256
0	Temporary Accommodation Works	4,504
0	Marston Vale Business Park Infrastructure	1,139
550	Depot Enhancements	2,271
513	Transformation	0
814	Average Speed Cameras	0
2,250	Allhallows Public Realm Improvements	0
463	A6 Wilstead Bypass Reconstruction	0
400	Integrated Transport	0
2,401	Transformation	2,271
<b>12,424</b>	<b>Total</b>	<b>28,170</b>

## Effects of Changes in Estimates

There are no material effects or changes in estimates.

## 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 or seepage 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 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.

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastruct ure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Constructi on £000	Total £000
<b>Carried at historical cost</b>	1,012	30,223	197,714	5,964	249	7,721	242,883
<b>Valued at current value as at:</b>							
31/03/2021	338,145	0	0	0	2,496	0	340,641
31/03/2020	5,545	0	0	0	0	0	5,545
31/03/2019	4,760	0	0	0	0	0	4,760
31/03/2018	2,724	0	0	0	0	0	2,724
31/03/2017	88	0	0	0	0	0	88
<b>Total Cost or Valuation</b>	<b>352,275</b>	<b>30,223</b>	<b>197,714</b>	<b>5,964</b>	<b>2,745</b>	<b>7,721</b>	<b>596,642</b>

## Note 15 - 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 2020		31 March 2021
£000	Investment Property Income and Expenditure	£000
(4,799)	Rental income from investment property	(4,210)
388	Direct operating expenses from investment property	492
0	Other income and expenditure	0
<b>(4,412)</b>	<b>Net (gain)/loss</b>	<b>(3,718)</b>

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 2020			31 March 2021	
Current	Non-Current		Current	Non-Current
£000	£000	Investment Properties Movements in Year	£000	£000
11,585	64,668	Opening Balance	9,250	65,013
		Additions:		
0	2,348	Purchases	739	409
0	0	Disposals	(4,667)	0
(5,308)	1,810	Net gains/losses from fair value adjustments	4,325	(1,674)
		Transfers:		
2,973	(3,813)	to/from Property Plant and Equipment	1,883	(1,798)
<b>9,250</b>	<b>65,013</b>	<b>Balance at the end of the year</b>	<b>11,530</b>	<b>61,951</b>

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.

The majority of Current Assets Held for Sale Investment Property relates to three development sites at Bedford Commercial Park, Fairhill and Dallas Road which are being actively marketed.

### Fair Value Hierarchy

Detail of the authority's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

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 2021
	£000	£000	£000	£000
	<b>0</b>	<b>46,552</b>	<b>26,929</b>	<b>73,481</b>

## 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

Level 3 Commercial Properties have been added to the reconciliation this year because they are significant in value. These are reconciled in the table below along with development properties.

31 March 2020	Investment Property Movements in Year	31 March 2021
£000		£000
6,495	Opening Balance	11,158
0	Inclusion of Commercial Properties	1,123
8,000	Prior Year Reclassification	0
0	Reclassifications into Investment Properties at Level 3	18,767
(1,297)	Reclassifications out of Investment Properties at Level 3	(400)
(5,013)	Total gains or losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	(469)
2,973	Additions	739
0	Disposals	(3,987)
<b>11,158</b>	<b>Balance at the end of the year</b>	<b>26,930</b>

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

### Commercial

65 of the 89 property valuations classified as commercial are based on observable inputs evidenced by strong market information. The remaining 24 valuations, totalling £15.715 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

All development Properties are classified as Level 3 and have a total valuation of £11.215 million as at 31 March 2021. 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 such as % of land estimated to be viable for development, infrastructure obligations, discount rate and overall scheme risk.

### Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date as a minimum. 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.

We draw attention to the material valuation uncertainty included in the valuer's report in relation to specific valuations totalling £14.218 million of the Investment Properties valuations at 31 March 2021 as a result of Covid-19. Further detail is included in **Note 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**.



## Note 16 - 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 2020		31st March 2021	
Total		Total	
£000		£000	
Balance at start of year:			
9,615	Gross carrying amounts	13,250	
(2,861)	Accumulated amortisation	(3,862)	
<b>6,754</b>	<b>Net carrying amount at start of year</b>	<b>9,388</b>	
Additions:			
3,933	Purchases	2,118	
35	Reclassifications and transfers	0	
(1,327)	Amortisation for the period	(1,942)	
(7)	Amortisation written out on reclassifications and transfers	0	
<b>9,388</b>	<b>Net carrying amount at end of year</b>	<b>9,564</b>	
Comprising:			
13,250	Gross carrying amounts	15,217	
(3,862)	Accumulated amortisation	(5,653)	
<b>9,388</b>	<b>Total</b>	<b>9,564</b>	

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.

## Note 17A - Financial Instruments

The Accounting Policies in Note 1 set out the classifications of financial instruments listed below.

	Non-Current Financial Assets					
	Investments		Debtors		Total	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000
Fair value through profit and loss	31,551	34,912	0	0	31,551	34,912
Amortised cost	0	0	1,780	1,719	1,780	1,719
<b>Total financial assets</b>	<b>31,551</b>	<b>34,912</b>	<b>1,780</b>	<b>1,719</b>	<b>33,331</b>	<b>36,631</b>

## Current Financial Assets

	Investments		Debtors		Total	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000
Fair value through profit and loss	0	0	0	0	0	0
Amortised cost	0	0	27,390	14,300	27,390	14,300
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>27,390</b>	<b>14,300</b>	<b>27,390</b>	<b>14,300</b>

## Non-Current Financial Liabilities

	Borrowings		Other long-term liabilities		Total	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000
Amortised cost	(64,909)	(64,853)	(437)	(192)	(65,346)	(65,045)
<b>Total financial liabilities</b>	<b>(64,909)</b>	<b>(64,853)</b>	<b>(437)</b>	<b>(192)</b>	<b>(65,346)</b>	<b>(65,045)</b>

Other long-term liabilities do not include the pensions liability of £476.793 million.

## Current Financial Liabilities

	Borrowings		Creditors		Total	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000
Amortised cost	(2,908)	(3,730)	(41,196)	(36,876)	(44,104)	(40,606)
<b>Total financial liabilities</b>	<b>(2,908)</b>	<b>(3,730)</b>	<b>(41,196)</b>	<b>(36,876)</b>	<b>(44,104)</b>	<b>(40,606)</b>

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

The table shows Income, Expenses, Gains and Losses recognised in the Comprehensive Income and Expenditure Statement during the year.

	31 March 2020		31 March 2021	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net gains/losses on:</b>				
• financial assets measured at fair value through profit or loss	5,609	0	(3,361)	0
<b>Total net (gains)/losses</b>	<b>5,609</b>	<b>0</b>	<b>(3,361)</b>	<b>0</b>
<b>Interest revenue:</b>				
• financial assets measured at amortised cost	(2,505)	0	(1,816)	0
• other financial assets measured at fair value through other comprehensive income	(23)	0	(23)	0
<b>Total interest revenue</b>	<b>(2,528)</b>	<b>0</b>	<b>(1,839)</b>	<b>0</b>
<b>Interest expense</b>	<b>3,346</b>	<b>0</b>	<b>3,230</b>	<b>0</b>

## Note 17B - Financial Instruments Fair Value

### Recurring Fair Value Measurements – Fair Value through Profit and Loss:

	31 March 2020	31 March 2021
	£000	£000
Bond, equity and property funds	31,551	34,912
Money Market Funds	10,905	21,612
<b>Balance 31 March</b>	<b>42,456</b>	<b>56,524</b>

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

Financial Liabilities	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities held at Amortised Cost	(67,817)	(92,328)	(68,583)	(83,849)
<b>Total</b>	<b>(67,817)</b>	<b>(92,328)</b>	<b>(68,583)</b>	<b>(83,849)</b>

Financial Assets	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Amortised Cost	287	287	287	287
<b>Total</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>

The fair value for financial assets represents the principal outstanding for a finance lease which ends in 2121/2122.

## Note 18 - Debtors

31 March 2020		31 March 2021
£000		£000
13,900	Trade Receivables	11,039
3,397	*Prepayments	10,087
2,606	Housing Benefit Claimants	2,446
6,217	Central Government Debtors	9,665
3,933	Council Tax & NDR Debtors	12,920
5,317	Other Receivable Amounts	6,639
<b>35,371</b>	<b>Total</b>	<b>52,794</b>

\*Prepayments in 2020/2021 include a £8.132 million cash payment in advance to Bedfordshire Pension Fund in respect of the fixed element secondary rate Employers Pension Contribution. Long Term Debtors contains £8.057 million representing the prepayment for 2022/2023.

The increase in the Council Tax and NDR Debtors represents balances due from Central Government.

## Note 19 - Cash and Cash Equivalents

31 March 2020		31 March 2021
£000		£000
(90)	Cash and Bank balances	(1,197)
0	Short Term Investments	0
22,973	Short Term Deposits	25,509
0	Bank Overdraft	0
<b>22,882</b>	<b>Total Cash and Cash Equivalents</b>	<b>24,312</b>

## Note 20 - Creditors

31 March 2020		31 March 2021
£000		£000
(20,651)	Trade payables	(20,636)
(19,387)	Receipts In Advance	(19,403)
(7,553)	Council Tax and NDR Creditors	(3,565)
(2,582)	Accumulated Absences Accrual	(3,314)
0	S31 Grant due to be repaid to MHCLG	(12,653)
(12,164)	Other payables	(20,403)
<b>(62,337)</b>	<b>Total Creditors</b>	<b>(79,974)</b>

## Note 21 - Provisions

### Current Provisions

2020/21	Elstow Landfill Decommissioning	Insurance Provision	Non - Domestic Rates Appeal (BBC portion)	Compulsory Purchase Orders	Other	Total
	£000	£000	£000	£000	£000	£000
Opening Balance	(2,651)	(272)	(5,266)	(266)	(735)	(9,188)
Increase in provision during year	0	(370)	(450)	(345)	0	(1,165)
Utilised during year	118	0	0	0	0	118
Unwinding of discounting	0	278	0	0	0	278
Other movements	(739)	0	0	0	0	(739)
<b>Closing Balance</b>	<b>(3,272)</b>	<b>(364)</b>	<b>(5,715)</b>	<b>(611)</b>	<b>(735)</b>	<b>(10,696)</b>

### Long Term Provisions

2020/21	Elstow Landfill Decommissioning	Insurance Provision	Total
	£000	£000	£000
Opening Balance	(2,296)	(727)	(3,023)
Unwinding of discounting	0	(248)	(248)
Other movements	739	0	739
<b>Closing Balance</b>	<b>(1,557)</b>	<b>(975)</b>	<b>(2,532)</b>

The main provisions represent:

- 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:

2019/20	Total Provisions	2020/21
£000		£000
(12,809)	Opening Balance	(12,211)
(124)	Increase in provision during year	(1,165)
754	Utilised during year	118
(33)	Unwinding of discounting	30
<b>(12,211)</b>	<b>Closing Balance</b>	<b>(13,228)</b>

## Note 22 - Usable Reserves

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

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 2020		31 March 2021
£000		£000
0	Balance 1 April	0
(172)	Capital Receipts in year	(6,651)
(4,857)	Deferred Receipts realised	(4,775)
5,029	Capital Receipts used for financing	11,425
<b>0</b>	<b>Balance 31 March</b>	<b>0</b>

### Capital Grants Unapplied

31 March 2020		31 March 2021
£000		£000
(9,043)	Balance 1 April	(14,611)
(11,031)	Capital grants recognised in year	(6,721)
5,463	Capital grants and contributions applied	6,895
<b>(14,611)</b>	<b>Balance 31 March</b>	<b>(14,438)</b>

## Note 23 - Unusable Reserves

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

31 March 2020		31 March 2021
£000		£000
(125,723)	Revaluation Reserve	(115,486)
(439,066)	Capital Adjustment Account	(437,410)
38	Financial Instruments Adjustment Account	19
320,982	Pension Reserve	467,018
(5,167)	Deferred Capital Receipts Reserve	(392)
1,695	Collection Fund Adjustment Account	13,447
2,582	Accumulated Absences Account	3,314
5,449	Pooled Investment Funds Adjustment Account	2,088
<b>(239,210)</b>	<b>Total</b>	<b>(67,402)</b>

Financial Instruments Adjustment Account and Accumulated Absences Account are not disclosed below because movements are immaterial.



## Revaluation Reserve

31 March 2020		31 March 2021
£000		£000
<b>(102,151)</b>	<b>Balance 1 April</b>	<b>(125,723)</b>
(32,857)	Upward revaluation of assets	(7,025)
7,772	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	15,688
<b>(25,085)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>8,662</b>
1,512	Difference between fair value depreciation and historical cost depreciation	1,481
0	Accumulated gains on assets sold or scrapped	95
<b>1,512</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>1,575</b>
<b>(125,723)</b>	<b>Balance 31 March</b>	<b>(115,486)</b>

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 2020/2021 Property Plant and Equipment has been revalued downwards by a net movement of £8.662 million. This revaluation is included within the Property, Plant and Equipment (PPE) disclosure, **Note 14**. These 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.

## Pooled Investment Funds Adjustment Account

31 March 2020		31 March 2021
£000		£000
<b>(160)</b>	<b>Balance 1 April</b>	<b>5,449</b>
5,609	Changes in fair value of pooled investments	(3,361)
<b>5,449</b>	<b>Balance 31 March</b>	<b>2,088</b>

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.

## Capital Adjustment Account

31 March 2020		31 March 2021
£000		£000
<b>(423,330)</b>	<b>Balance 1 April</b>	<b>(439,066)</b>
17,379	Charges for depreciation and impairment of non-current assets	18,948
(5,974)	Revaluation losses on non-current assets	13,847
1,327	Amortisation of intangible assets	1,942
4,858	Revenue expenditure funded from capital under statute	6,995
9	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	4,762
17,599	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	46,493
(1,512)	Adjusting Amounts written out of the Revaluation Reserve	(1,575)
<b>16,087</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>44,918</b>
(5,029)	Use of Capital Receipts Reserve to finance new capital expenditure	(11,425)
(23,786)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(18,257)
(2,601)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(3,949)
(3,904)	Capital expenditure charged against the General Fund and HRA balances	(6,867)
<b>(35,318)</b>	<b>Capital financing applied in year:</b>	<b>(40,498)</b>
3,498	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,652)
0	Other movements	(112)
<b>(439,066)</b>	<b>Balance 31 March</b>	<b>(437,410)</b>

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.

## Pension Reserve

31 March 2020		31 March 2021	
	£000		£000
	<b>320,837</b>	<b>Balance 1 April</b>	<b>320,982</b>
(14,076)		Remeasurements of the net defined benefit (liability)/asset	136,058
32,504		Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	30,919
(18,283)		Employer's pensions contributions and direct payments to pensioners payable in the year	(20,941)
	<b>320,982</b>	<b>Balance 31 March</b>	<b>467,018</b>

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 £155.811 million during 2020/2021. 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 39](#).

## Deferred Capital Receipts Reserve

31 March 2020		31 March 2021	
	£000		£000
	<b>(10,024)</b>	<b>Balance 1 April</b>	<b>(5,167)</b>
4,857		Transfer to the Capital Receipts Reserve upon receipt of cash	4,775
	<b>(5,167)</b>	<b>Balance 31 March</b>	<b>(392)</b>

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 now fully paid. 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.

## Collection Fund Adjustment Account

31 March 2020		31 March 2021
£000		£000
(851)	Balance 1 April	1,695
2,545	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	11,752
<b>1,695</b>	<b>Balance 31 March</b>	<b>13,447</b>

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

## Note 24 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2020		31 March 2021
£000		£000
(2,528)	Interest received	(1,839)
3,346	Interest paid	3,229
<b>819</b>	<b>Total</b>	<b>1,390</b>

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

31 March 2020		31 March 2021
£000		£000
(17,379)	Depreciation	(18,948)
5,974	Impairment and downward valuations	(13,847)
(1,327)	Amortisation	(1,942)
(9,357)	(Increase)/decrease in creditors	(21,936)
304	Increase/(decrease) in debtors	16,448
(128)	Increase/(decrease) in inventories	0
(14,221)	Movement in pension liability	(9,978)
(9)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,762)
(2,980)	Other non-cash movements charged to the surplus or deficit on provision of services	1,566
<b>(39,124)</b>	<b>Total</b>	<b>(53,399)</b>

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

31 March 2020		31 March 2021
£000		£000
172	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,651
28,921	Any other items for which the cash effects are investing or financing cash flows	23,379
<b>29,093</b>	<b>Total</b>	<b>30,029</b>

## Note 25 - Cash Flow from Investing Activities

31 March 2020		31 March 2021
£000		£000
46,032	Purchase of property, plant and equipment, investment property and intangible assets	33,778
31,000	Purchase of short-term and long-term investments	0
(5,029)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,425)
(46,120)	Proceeds from short-term and long-term investments	0
(33,837)	Other receipts from investing activities	(18,743)
<b>(7,953)</b>	<b>Net cash flows from investing activities</b>	<b>3,610</b>

## Note 26 - Cash Flow from Financing Activities

31 March 2020		31 March 2021
£000		£000
(17,200)	Cash receipts of short-term and long-term borrowing	(20,000)
228	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	245
22,519	Repayments of short-term and long-term borrowing	19,305
854	Other payments for financing activities	12,959
<b>6,400</b>	<b>Net cash flows from financing activities</b>	<b>12,509</b>

## Note 27 - Agency Services

The Council provides 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).

2019/20	Payroll Services	2020/21
£000		£000
(90,963)	Income	(76,217)
90,963	Expenditure	76,217
<b>0</b>	<b>Net Surplus/Deficit on the Agency Arrangement</b>	<b>0</b>

## Note 28 - Pooled Budgets

### 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.

Restated			
2019/20		Better Care Fund	2020/21
£000			£000
(10,167)	Authority Funding		(11,262)
(5,190)	Partner Funding		(4,867)
(15,357)	Total Pooled Funding		(16,129)
9,436	Authority Expenditure		10,302
5,190	Partner Expenditure		4,467
14,626	Expenditure		14,769
(731)	Net (Surplus)/Deficit on the Pooled Budget		(1,360)
0	Authority Share of the Net (Surplus) / Deficit		(959)

2019/20 has been restated to include all elements of the Better Care Fund, including Disabled Facilities Capital Grant and Winter Pressure Grant.

## Note 29 - Members' Allowances

31 March 2020		31 March 2021
£000		£000
648	Allowances	658
648	Total Members' Allowances	658



## Note 30 - Officers' Remuneration

The table below discloses details of individual remuneration for senior employees of the Authority. Staff whose salary is above £150,000 are named, otherwise they are listed by way of Job Title. Senior employees are defined as designated Head of Paid Service, (Chief Executive) and direct reports. The remuneration paid to the Council's senior employees is as follows:

### Senior Officer Remuneration

		Salary, Fees and Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
<b>Chief Executive - Philip Simpkins</b>	<b>2020/21</b>	<b>185,385</b>		<b>32,628</b>	<b>218,013</b>
Left 18 April 2021	2019/20	180,423		30,492	210,915
<b>Interim Chief Executive - Terry Collins</b>	<b>2020/21</b>	<b>21,062</b>		<b>0</b>	<b>21,062</b>
Started 1 March 2021	2019/20	0		0	0
<b>Director of Children's Services</b>	<b>2020/21</b>	<b>86,995</b>		<b>15,311</b>	<b>102,306</b>
Left 2 December 2020	2019/20	126,015		21,297	147,312
<b>Director of Children's Services</b>	<b>2020/21</b>	<b>35,959</b>		<b>6,329</b>	<b>42,288</b>
Started 3 December 2020	2019/20	0		0	0
<b>Director of Adult Services</b>	<b>2020/21</b>	<b>129,449</b>		<b>22,783</b>	<b>152,232</b>
- Kate Walker	2019/20	126,015		21,297	147,312
<b>Director of Environment</b>	<b>2020/21</b>	<b>147,524</b>		<b>0</b>	<b>147,524</b>
	2019/20	134,905		0	134,905
<b>Director of Public Health</b>	<b>2020/21</b>	<b>51,545</b>		<b>6,341</b>	<b>57,886</b>
Left 31 August 2020	2019/20	103,000		14,811	117,811
<b>Director of Public Health</b>	<b>2020/21</b>	<b>53,451</b>		<b>9,407</b>	<b>62,858</b>
Started 2 October 2020	2019/20	0		0	0
<b>Assistant Chief Executive (Enabling)</b>	<b>2020/21</b>	<b>117,592</b>		<b>20,696</b>	<b>138,288</b>
	2019/20	114,444		19,341	133,785
<b>Assistant Chief Executive (Law &amp; Corporate Governance)</b>	<b>2020/21</b>	<b>0</b>		<b>0</b>	<b>0</b>
Left 31 May 2019	2019/20	52,466	85,415	3,223	141,104
<b>Chief Officer for Legal and Democratic Services</b>	<b>2020/21</b>	<b>95,736</b>		<b>16,850</b>	<b>112,586</b>
Started 1 June 2019	2019/20	65,805		11,121	76,926
<b>Director of Business Transformation and Organisation Development</b>	<b>2020/21</b>	<b>118,780</b>		<b>20,905</b>	<b>139,685</b>
Started 16 January 2020	2019/20	23,269		3,932	27,201
<b>Assistant Chief Executive (Business Transformation)</b>	<b>2020/21</b>	<b>0</b>		<b>0</b>	<b>0</b>
Left 15 January 2020	2019/20	84,633		0	84,633
<b>Total in 2020/21</b>		<b>1,043,478</b>	<b>0</b>	<b>151,250</b>	<b>1,194,728</b>
<b>Total in 2019/20</b>		<b>1,010,975</b>	<b>85,415</b>	<b>125,514</b>	<b>1,221,904</b>

The pension contribution is based on the Actuarial calculation of the current cost of pensions which is set out in the Triennial Valuation Report. This employer's contributions is 17.6% of salary costs for 2020/2021 for those paying into the Local Government Pension Scheme (16.9% in 2019/2020).

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 (27% in 2019/2020).

The Assistant Chief Executive (Business Transformation) took a new role (Director of Business Transformation and Organisation Development) within the Senior Management structure during January 2020.

In addition to the figures above, the Chief Executive received no allowance as Returning Officer (2019/20 £7,662).

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

#### Officer Remuneration

	Number of Employees	
	2019/20	2020/21
£50,001 to £55,000	60	71
£55,001 to £60,000	5	11
£60,001 to £65,000	26	25
£65,001 to £70,000	7	3
£70,001 to £75,000	9	8
£75,001 to £80,000	11	9
£80,001 to £85,000	2	6
£85,001 to £90,000	2	2
£90,001 to £95,000	10	0
£95,001 to £100,000	0	12
£100,001 to £105,000	1	1
£105,001 to £110,000	1	0
£110,001 to £115,000	1	0
£115,001 to £120,000	0	2
£125,001 to £130,000	2	1
£130,001 to £135,000	1	0
£135,001 to £140,000	1	0
£145,001 to £150,000	0	1
£180,001 to £185,000	1	0
£185,001 to £190,000	0	1
<b>Total</b>	<b>140</b>	<b>153</b>

- 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 (£)	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0-£20,000	8	13	21	7	29	20	209,000	136,000
£20,001 - £40,000	1	2	5	6	6	8	174,000	219,000
£40,001 - £60,000	2	1	3	0	5	1	250,000	52,999
£60,001 - £80,000	1	0	1	2	2	2	144,000	133,000
£80,001 - £100,000	2	1	1	1	3	2	263,000	165,000
£100,001 - £150,000	0	0	1	0	1	0	115,000	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	3	0	0	0	3	0	641,000
£300,001 - £350,000	0	0	0	1	0	1	0	340,000
<b>Total</b>	<b>14</b>	<b>20</b>	<b>32</b>	<b>17</b>	<b>46</b>	<b>37</b>	<b>1,155,000</b>	<b>1,686,999</b>
Add: Amounts provided for in CIES not included in bandings							0	0
<b>Total cost included in CIES</b>							<b>1,155,000</b>	<b>1,686,999</b>

Exit package are recognised during the year in which the Council has agreed them, i.e. those packages for which the authority is demonstrably committed. This means there can be differences between amounts accrued and the actual cost incurred. During 2020/2021 amounts accrued were £0.057 million more than costs incurred because of changes in assumptions used by the Pension Fund's actuary when final costs were calculated and paid.

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

## Note 31 - 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.

2019/20		2020/21
£000		£000
103	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	121
12	Fees payable in respect of other services provided by external auditors during the year	12
<b>115</b>	<b>Total</b>	<b>133</b>

## Note 32 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency and the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure incurred as defined in the School Finance and Early Years

(England) Regulations 2020. 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 divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/2021 are as follows:

Notes	DSG Receivable for 2020/21	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for year before Academies recoupment			163,584
B	Academy figure recouped for year			(82,061)
C	Total DSG after academy recoupment			<b>81,523</b>
D	Plus: Brought forward from previous year			2,572
E	Less: Carry forward to following year (agreed in advance)			(500)
F	Agreed initial budgeted distribution in year	<b>22,649</b>	<b>60,946</b>	<b>83,595</b>
G	In year adjustments	625	(669)	(44)
H	Final budget distribution for year	<b>23,274</b>	<b>60,277</b>	<b>83,551</b>
I	Less: Actual central expenditure	(22,658)		(22,658)
J	Less: Actual ISB deployed to schools		(59,021)	(59,021)
K	Plus: Local Authority contribution for year	0	0	0
L	<b>Carry forward to 2021/22</b>	<b>616</b>	<b>1,256</b>	<b>1,872</b>
M	<b>Carry forward to 2021/22 already agreed</b>			<b>500</b>
N	<b>Total carry forward</b>			<b>2,372</b>

#### Restated

Notes	DSG Receivable for 2019/20	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for year before Academies recoupment			152,850
B	Academy figure recouped for year			(76,828)
C	Total DSG after academy recoupment			<b>76,022</b>
D	Plus: Brought forward from previous year			3,793
E	Less: Carry forward to following year (agreed in advance)			(400)
F	Agreed initial budgeted distribution in year	<b>23,654</b>	<b>55,762</b>	<b>79,416</b>
G	In year adjustments	(31)	171	140
H	Final budget distribution for year	<b>23,623</b>	<b>55,933</b>	<b>79,556</b>
I	Less: Actual central expenditure	(22,940)		(22,940)
J	Less: Actual ISB deployed to schools		(54,444)	(54,444)
K	Plus: Local Authority contribution for year	0	0	0
L	<b>Carry forward to 2020/21</b>	<b>683</b>	<b>1,489</b>	<b>2,172</b>
M	<b>Carry forward to 2020/21 already agreed</b>			<b>400</b>
N	<b>Total carry forward</b>			<b>2,572</b>

2019/2020 was restated as follows:

- Lines A-C – Final DSG for 2019/2020 before Academy Recoupment – This figure should include the import/export adjustments and the first funding Adjustment for Early Years. Therefore, note has been restated to include the import/export adjustment of £0.111 million and the first Early Years adjustment of £0.078 million into line A and record prior to academy recoupment.

- Line G – In year adjustments – This should only be changes to the initial distribution, for example, adjustment for exclusions or final early years block adjustment so has been restated accordingly.

A: Final DSG figure before any amount has been recouped from the authority as published March 2021, excluding the January 2021 early years block adjustment.

B: Figure recouped from the authority in 2020/21 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.

C: Total DSG figure after academy and high needs recoupment for 2020/21, as published March 2021.

D: Figure brought forward from 2019/20.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2021/22 rather than distribute in 2020/21.

F: Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.

G: Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.

H: Budgeted distribution of DSG as at the end of the financial year.

I: Actual amount of central expenditure items in 2020/21.

J: Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares).

K: Any contribution from the local authority in 2020/21 which will have the effect of substituting for DSG in funding the Schools Budget.

L: In year carry-forward to 2021/22.

M: Plus/minus any carry-forward to 2021/22 already agreed.

N: Total is carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry-forward to 2021/22 already agreed.

## Note 33 - Grant Income

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

31 March 2020		31 March 2021
£000		£000
(5,767)	Revenue Support Grant	(5,861)
(3,846)	Section 31 Grant	(17,271)
(6,078)	New Homes Bonus Grant	(6,784)
(4)	Education Services Grant	0
(210)	EU Exit Funding Grant	0
(16)	Flood Grant	0
0	Tax Income Guarantee Grant	(762)
0	MHCLG Local Authority Support Grant	(16,364)
(4,262)	Department of Transport	(7,010)
0	Homes & Communities Agency	(5)
(4,959)	Community Infrastructure Levy	(537)
(4,838)	Section 106 Developer Contributions	(16)
(263)	Other Grants & Contributions	(112)
(6,701)	Department of Education	(3,053)
(8,651)	Semlep	(3,510)
0	MHCLG	(1,000)
<b>(45,594)</b>	<b>Total</b>	<b>(62,285)</b>

## Credited to Services

31 March 2020		31 March 2021
£000		£000
(79,956)	Dedicated Schools Grants	(81,524)
(38,945)	Housing and Council Tax Benefit Administration	(39,140)
(8,614)	Department for Education	(9,533)
(8,493)	Public Health Grant	(8,835)
(10,403)	Other Revenue Grants	(3,922)
0	BEIS	(9,029)
0	MHCLG	(10,269)
0	REFCUS - Community Infrastructure Levy	(1)
833	REFCUS - Department of Education	(2,485)
(512)	REFCUS - Better Care Funding - Disabled Facilities Grant	0
0	REFCUS - Other Grants & Contributions	(15)
0	REFCUS - MHCLG	(451)
<b>(146,091)</b>	<b>Total</b>	<b>(165,203)</b>

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

31 March 2020		31 March 2021
£000		£000
(88)	Homes & Community Agency - Growth Area Funding	(88)
(410)	Homes & Community Agency - Gypsy & Traveller Sites	(405)
(119)	Department for Education	(1,290)
(6,222)	Department of Transport	(5,820)
(10,818)	Section 106 Contributions	(11,502)
(392)	Section 278 Contributions	(446)
0	Semlep	(853)
(810)	Better Care Fund	(1,769)
(193)	Other Grants	(381)
<b>(19,054)</b>	<b>Total</b>	<b>(22,553)</b>

## Donated Assets Account - Long Term Liabilities

31 March 2020		31 March 2021
£000		£000
(962)	Sports Facilities	(962)
<b>(962)</b>	<b>Total</b>	<b>(962)</b>



## Note 34 - 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 33**.

### 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 29**. A number of members are school governors, appointed Town and Parish Council members or members of Bedfordshire Fire & Rescue Authority. Given the nature of governance arrangements in place they are not considered to control or significantly influence any of these public bodies. For transparency a list of members who are also on Parish Councils that have had transactions with Bedford Borough Council during 2020/2021 is listed below:

Member	Parish Council	Expenditure	Income
Councillor Abbott Councillor Walker	Oakley	£5,174	£31,994
Councillor Coombes	Wixams	£800	£0
Councillor Gallagher	Shortstown	£0	£23,997
Councillor Nawaz Councillor Masud Councillor Meader Councillor Oliver	Kempston Town	£0	£0
Councillor Rider Councillor C Royden Councillor M Royden	Brickhill	£0	£52,194
Councillor Wheeler	Wootton	£493,618	£1,271
Councillor McMurdo	Sharnbrook	£4,005	£1,720

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

### Officers

There were no interests of a material nature declared during the year. For completeness the following transactions with related parties did take place:

The Director of Environment is also a Trustee at Forest of Marston Vale. Contributions were paid to the body to the value of £2,000 in 2020/2021. Bedford Borough Council charged the Forest of Marston Vale £3,004 for services provided.

## Other Public Bodies

The Council has one pooled budget arrangements which is detailed in **Note 28** relating to provision of Social Care Services. The Other Public Bodies involved in these arrangements are Bedfordshire Clinical Commissioning Group (BCCG) and Central Bedfordshire.

## 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 £1.223 million in 2020/2021 (£1.260 million in 2019/2020) for expenses incurred in administering the Fund. The Council took over administering the Fund on 1 April 2009.

As at 31 March 2021, the amount due to the Council from the Pension Fund was £0.153 million for administration services (£0.302 million as at 31 March 2020); with £1.366 million being owed by the Council to the Pension Fund for March pension contributions (£1.386 million as at 31 March 2020).

## Entities Controlled or Significantly Influenced by the Council

The Council has interests in entities that have the controlling nature of subsidiaries. There is one material trust funds, the House of Industry, which has its current assets, liabilities, income and expenditure disclosed within **Note 44**.

The most significant transaction during 2020/2021 between the Council and this entity was a payment of £0.057 million to House of Industry for the rent of St Peter's car park (£0.057 million in 2019/2020).

## 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), appointment terminated December 2020

Jill Evans (Chief Officer for Financial Control)

Craig Austin (Director of Environment).

There were no transactions between the Council and BBL.

## Note 35 - 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.

31 March 2020		31 March 2021
£000		£000
117,919	Opening Capital Financing Requirement	133,993
	Capital Investment:	
40,252	Property Plant and Equipment	30,200
2,348	Investment Property	1,148
3,933	Intangible Assets	2,118
4,858	Revenue Expenditure Funded from Capital Under Statute	6,995
<b>51,392</b>	<b>Total Capital Spending</b>	<b>40,461</b>
	Sources of Finance:	
(5,029)	Capital receipts	(11,425)
(23,786)	Government Grants and other contributions	(18,257)
	Sums set aside from revenue:	
(3,904)	- Direct revenue contributions	(6,867)
(2,601)	- Minimum revenue provision	(3,949)
<b>(35,318)</b>	<b>Total Sources of Finance</b>	<b>(40,498)</b>
<b>133,993</b>	<b>Closing Capital Financing Requirement</b>	<b>133,955</b>

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 2020		31 March 2021
£000		£000
(2,930)	Increase in underlying need to borrow (supported by government financial assistance)	(2,813)
19,004	Increase in underlying need to borrow (unsupported by government financial assistance)	2,775
<b>16,074</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(38)</b>

## Note 36 - 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 2020		31 March 2021
£000		£000
268	Vehicles, Plant, Furniture, Equipment and Other	179
<b>268</b>	<b>Total</b>	<b>179</b>

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

31 March 2020		31 March 2021
£000		£000
	<b>Finance lease liabilities (net present value of minimum lease payments):</b>	
(228)	- current	(245)
(437)	- non-current	(192)
(107)	Finance costs payable in future years	(57)
<b>(772)</b>	<b>Minimum lease payments</b>	<b>(494)</b>

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

Minimum Lease Payments		Finance Lease Liabilities	
31 March 2020	31 March 2021	31 March 2020	31 March 2021
£000	£000	£000	£000
(279)	(279)	(228)	(245)
(474)	(198)	(424)	(180)
(20)	(17)	(14)	(12)
<b>(772)</b>	<b>(494)</b>	<b>(665)</b>	<b>(437)</b>

### 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 2020		31 March 2021
£000		£000
80	Not later than one year	128
155	Later than one year and not later than five years	193
163	Later than five years	163
<b>398</b>	<b>Total</b>	<b>484</b>

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

31 March 2020		31 March 2021
£000		£000
152	Minimum lease payments	126
<b>152</b>	<b>Total</b>	<b>126</b>

## 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 2021 has a remaining term of 102 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 2020		31 March 2021
£000		£000
	Finance lease debtor (net present value of minimum lease payments):	
287	- non-current	287
<b>287</b>	<b>Gross investment in the lease</b>	<b>287</b>

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 2020	31 March 2021	31 March 2020	31 March 2021
£000	£000		£000
0	0	23	23
0	0	92	92
287	287	2,248	2,225
<b>287</b>	<b>287</b>	<b>2,363</b>	<b>2,340</b>

## 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 2020		31 March 2021
£000		£000
3,300	Not later than one year	3,282
10,553	Later than one year and not later than five years	10,190
54,632	Later than five years	54,264
<b>68,485</b>	<b>Total</b>	<b>67,736</b>

## Note 37 - 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 2020/21 or 2019/20.

## Note 38 - Pension Schemes Accounted for as Defined Contribution Schemes

### Teachers' Pension Schemes

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

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

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

Year	Retirement Contributions	Pensionable Pay
2019/2020 (actual)	£4.33 million	16.48%
2020/2021 (actual)	£4.82 million	16.48%
2021/2022 (estimate)	£4.82 million	16.48%



## NHS Pension Schemes

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
2019/2020 (actual)	£0.05 million	14.0%
2020/2021 (actual)	£0.03 million	14.0%
2021/2022 (estimate)	£0.03 million	14.0%

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

## Note 39 - 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 100.
- 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 2020/2021 Financial Year and comparator figures for 2019/2020. 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

2019/20		2020/21	
Discretionary Benefits		Discretionary Benefits	
LGPS	Arrangements	LGPS	Arrangements
£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>			
<b>Cost of Services</b>			
	Service cost comprising:		
23,576	0 Current service cost	22,883	0
1,033	0 Past service cost	502	0
398	0 Administration expenses	372	0
	Other Operating Expenditure:		
	Financing and Investment Income and Expenditure		
7,497	0 Net interest expense	7,162	0
<b>32,504</b>	<b>0 Total charged to Surplus and Deficit on Provision of Services</b>	<b>30,919</b>	<b>0</b>
<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>			
£000	£000	£000	£000
	Re-measurement of the net defined benefit liability comprising:		
35,522	0 Return on plan assets (excluding the amount included in the net interest expense)	(70,868)	0
29,448	0 Actuarial gains and losses arising on changes in demographic assumptions	(6,972)	0
(88,052)	0 Actuarial gains and losses arising on changes in financial assumptions	221,252	0
9,006	0 Other movements in the liability / (asset)	(7,354)	0
<b>(14,076)</b>	<b>0 Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>136,058</b>	<b>0</b>
<b>18,428</b>	<b>0 Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>166,977</b>	<b>0</b>
<b>Movement in Reserves Statement</b>			
£000	£000	£000	£000
(32,504)	0 Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(30,919)	0
	Actual amount charged against the general fund balance for pensions in the year:		
17,581	702 Employers' contributions payable to scheme	20,252	689

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.

### 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:

2019/20		Pensions Assets and Liabilities Recognised in the Balance Sheet	2020/21	
LGPS	Discretionary Benefits Arrangements		LGPS	Discretionary Benefits Arrangements
£000	£000		£000	£000
(697,819)	(8,815)	Present value of the defined obligation	(926,297)	(8,126)
385,652	0	Fair value of plan assets	467,405	0
(312,167)	(8,815)	Value of Assets / (Liabilities)	(458,892)	(8,126)
0	0	Other movements in the (liability) / asset	0	0
<b>(312,167)</b>	<b>(8,815)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(458,892)</b>	<b>(8,126)</b>

2019/20		Movement in the Value of Scheme Assets	2020/21	
LGPS	Discretionary Benefits Arrangements		LGPS	Discretionary Benefits Arrangements
£000	£000		£000	£000
416,317	0	Opening fair value of scheme assets	385,652	0
9,999	0	Interest income	8,104	0
		Re-measurement gain / (loss):		
(35,522)	0	- The return on plan assets, excluding the amount included in the net interest expense	70,868	0
(5,391)	0	Other gains / (losses)	(53)	0
17,581	702	Contributions from employer	20,252	689
4,022	0	Contributions from employees into the scheme	4,228	0
(20,956)	(702)	Benefits / transfers paid	(21,274)	(689)
(398)	0	Administration expenses	(372)	0
<b>385,652</b>	<b>0</b>	<b>Closing value of scheme assets</b>	<b>467,405</b>	<b>0</b>

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

2019/20		Movements in the Fair Value of Scheme Liabilities	2020/21	
LGPS	Discretionary Benefits Arrangements		LGPS	Discretionary Benefits Arrangements
£000	£000		£000	£000
(727,637)	(9,517)	Opening balance at 1 April	(697,819)	(8,815)
(23,576)	0	Current service cost	(22,883)	0
(17,496)	0	Interest cost	(15,266)	0
(4,022)	0	Contributions from scheme participants	(4,228)	0
		Re-measurement gains and losses:		
(29,448)	0	- Actuarial gains / (losses) from changes in demographic assumptions	6,972	0
88,052	0	- Actuarial gains / (losses) from changes in financial assumptions	(221,252)	0
(3,615)	0	- Other	7,407	0
(1,033)	0	Past service cost	(502)	0
20,956	702	Benefits / transfers paid	21,274	689
<b>(697,819)</b>	<b>(8,815)</b>	<b>Balance as at 31 March</b>	<b>(926,297)</b>	<b>(8,126)</b>

**LGPS - Pension Scheme - Assets comprised of:**

### Fair value of scheme assets

2019/20			2020/21			
Quoted £000	Unquoted £000	Total £000		Quoted £000	Unquoted £000	Total £000
0	15,426	15,426	Cash and cash equivalents	0	11,685	11,685
Bonds						
33,937	0	33,937	UK Government Bonds	21,033	0	21,033
33,937	0	33,937	Subtotal Bonds	21,033	0	21,033
Real Estate						
0	5,399	5,399	UK Property	0	33,653	33,653
0	5,399	5,399	Subtotal Real Estate	0	33,653	33,653
Private Equity						
0	37,794	37,794	Private Equity	0	5,609	5,609
0	37,794	37,794	Subtotal Private Equity	0	5,609	5,609
Investment Funds						
0	20,440	20,440	Equities	0	75,252	75,252
0	0	0	Bonds	0	0	0
0	0	0	Other	12,153	20,566	32,718
0	20,440	20,440	Subtotal Investment Funds	12,153	95,818	107,971
Infrastructure						
0	6,170	6,170	Subtotal Infrastructure	0	9,816	9,816
Absolute Return						
74,816	0	74,816	Subtotal Absolute Return	69,176	0	69,176
Unit Trusts						
0	158,889	158,889	Subtotal Unit Trusts	0	174,342	174,342
Corporate Bonds UK						
32,780	0	32,780	Subtotal Corporate Bonds UK	34,121	0	34,121
141,533	244,118	385,651	Total Assets	136,482	330,923	467,405

**The significant assumptions used by the actuary have been:**

2019/20	LGPS	2020/21
Long term expected rate of return on assets		
2.4%	Bonds	2%
2.4%	Real Estate	2%
2.4%	Private Equity	2%
2.4%	Investment Funds	2%
Mortality assumptions		
Longevity at retirement for current pensioners		
22.2	Men	21.9
24.3	Women	24.3
Longevity at retirement for future pensioners		
23.4	Men	22.8
26.1	Women	26.0
Other assumptions		
2.7%	Rate of increase in salaries	3.8%
1.7%	Rate of increase in pensions	2.8%
2.4%	Rate for discounting scheme liabilities	2%

**Impact of assumptions on the obligation:**

Increase by 1%	LGPS	Decrease by 1%
£000	Assumption	£000
(44,880)	Longevity	42,713
(1,363)	Rate of increase in salaries	1,351
(17,057)	Rate of increase in pensions	16,729
18,203	Rate for discounting scheme liabilities	18,584

**Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Borough Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022. The authority anticipated to pay £19.8 million expected contributions to the scheme in 2021/2022.

## Note 40 - Contingent Liabilities

At 31 March 2021, the Council had no known material contingent liabilities.

## Note 41 - Contingent Assets

At 31 March 2021, the Council had no known material contingent assets.



## Note 42 - 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 2021 that this was likely to crystallise, even with the effect of Covid-19.

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 (£7.541 million) of the total balance of £16.723 million is past its due date for payment. The outstanding amount can be analysed by age as follows:

<b>Credit Risk - Debtors</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
Less than three months	6,323	9,182
Three to six months	1,064	1,322
Six months to one year	1,034	1,556
More than one year	3,918	4,663
	<b>12,339</b>	<b>16,723</b>

### 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:

<b>Liquidity Risk</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
Less than one year	(2,904)	(3,730)
Between one and two years	(150)	(5,358)
Between two and five years	(11,770)	(9,784)
More Than 5 Years	(16,140)	(16,562)
More Than 10 years	(36,850)	(33,145)
	<b>(67,814)</b>	<b>(68,579)</b>

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 or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in 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 2021, 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 2021

£000

Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(590)
Increase in government grant receivable for financing costs	(639)
Impact on Surplus or Deficit on the Provision of Services	<b>(1,229)</b>

#### 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 £1.747 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 43 - 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.

2019/20 £000	2020/21 £000
6,554 Opening Balance	6,554
0 Other Movements	0
<b>6,554 Closing Balance</b>	<b>6,554</b>

## Note 44 - 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.

### 2020/21

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
House of Industry Estate	(300)	287	5,926	268
<b>Total</b>	<b>(300)</b>	<b>287</b>	<b>5,926</b>	<b>268</b>

### 2019/20

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
House of Industry Estate	(302)	309	5,849	(625)
<b>Total</b>	<b>(302)</b>	<b>309</b>	<b>5,849</b>	<b>(625)</b>

### 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.

## 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 2020			31 March 2021		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000
<b>INCOME:</b>					
(111,655)	(111,655)		(116,680)	(116,680)	
(64,360)		(64,360)	(43,474)		(43,474)
2,633	0	2,633	1,370	0	1,370
<b>(61,727)</b>	<b>(111,655)</b>	<b>(173,382)</b>	<b>(42,104)</b>	<b>(116,680)</b>	<b>(158,784)</b>
<b>EXPENDITURE:</b>					
<b>Appportionment of Previous Year Surplus/Deficit:</b>					
(461)		(461)	(1,873)		(1,873)
(452)	1,453	1,001	(1,835)	434	(1,401)
(9)	93	84	(37)	28	(10)
0	166	166	0	57	57
<b>Precepts, demands and shares:</b>					
32,059		32,059	32,845		32,845
31,418	92,206	123,624	32,188	97,244	129,433
641	5,908	6,549	657	6,119	6,776
0	12,127	12,127	0	12,925	12,925
<b>Charges to Collection Fund:</b>					
2	(5)	(3)	747	117	864
795	768	1,564	(7)	700	693
253		253	918		918
232		232	230		230
<b>Other transfers to General Fund in accordance with non-domestic rates regulations</b>					
590		590	642		642
<b>65,067</b>	<b>112,716</b>	<b>177,783</b>	<b>64,476</b>	<b>117,625</b>	<b>182,101</b>
<b>3,340</b>	<b>1,061</b>	<b>4,401</b>	<b>22,372</b>	<b>945</b>	<b>23,317</b>
<b>1,169</b>	<b>(1,675)</b>	<b>(506)</b>	<b>4,509</b>	<b>(615)</b>	<b>3,895</b>
<b>4,509</b>	<b>(615)</b>	<b>3,895</b>	<b>26,882</b>	<b>330</b>	<b>27,213</b>

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 2020/2021 was 60,943 Band D equivalent properties, (60,010 equivalents for 2019/2020). The The tax base calculation is shown below:

### Note 1 - Council Tax Income

#### 2020/21

Band	Valuation band limits £	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
		No		No
A	Upto and including - 40,000	6,215	6/9	4,143
B	40,001 - 52,000	13,668	7/9	10,630
C	52,001 - 68,000	15,801	8/9	14,046
D	68,001 - 88,000	11,074	9/9	11,074
E	88,001 - 120,000	7,678	11/9	9,384
F	120,001 - 160,000	5,020	13/9	7,251
G	160,001 - 320,000	2,951	15/9	4,918
H	More than - 320,001	213	18/9	425
Adjustment				(928)
Council tax base				60,943

#### 2019/20

Band	Valuation band limits £	Calculated no of dwellings	Ratio to band D	Equated No of dwellings
		No		No
A	Upto and including - 40,000	6,161	6/9	4,107
B	40,001 - 52,000	13,496	7/9	10,497
C	52,001 - 68,000	15,436	8/9	13,721
D	68,001 - 88,000	10,953	9/9	10,953
E	88,001 - 120,000	7,574	11/9	9,258
F	120,001 - 160,000	4,941	13/9	7,138
G	160,001 - 320,000	2,893	15/9	4,822
H	More than - 320,001	214	18/9	428
Adjustment				(914)
Council tax base				60,010

The total non-domestic rateable value on 31 March 2021 was £169.8 million (£163.9 million 31 March 2020) and the Business Rate Multiplier for the year is 49.9p (49.1p 2019/2020).

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

2019/2020		Analysis of Collection Fund Balance by Major Preceptors		2020/2021	
NDR	Council Tax			NDR	Council Tax
£000	£000			£000	£000
2,254			Central Government	13,440	
2,209	(515)		Bedford Borough Council	13,172	276
	(68)		Police & Crime Commissioner for Bedfordshire		37
45	(33)		Bedfordshire Fire & Rescue Authority	269	17
<b>4,509</b>	<b>(615)</b>		<b>Balance at 31 March</b>	<b>26,881</b>	<b>330</b>

**NDR:** In response to the Covid-19 outbreak during March 2020, the government outlined a range of support measures at Budget 2020 to mitigate the potential detrimental financial impact of the pandemic for local businesses and local authorities. Further measures were introduced during the financial year. The key initiatives were the implementation and extension of business rates reliefs across a range of business sectors, chiefly retail and nursery discounts. All of these additional reliefs resulted in a considerable decrease in the level of income received through the collection fund for redistribution to Bedford Borough Council, Bedfordshire Fire and Rescue Service and Central Government.

However, a range of measures were also announced to compensate the billing and precepting authorities for the loss in collection fund income resulting from these initiatives – the compensation for the extended reliefs was provided in the form of additional s31 grants. 100% of the S31 grant was paid to the local billing authority in the first instance, rather than just their proportionate share, in order to facilitate the cash flow to make the 2020/2021 NDR payments to government and preceptors. The S31 grants held on behalf of the precepting authorities will be released after the 2020/2021 financial year to compensate the billing and precepting authorities for the deficits on the collection fund due to losses in income caused by the extensions to the business rates relief schemes.

**Council Tax:** The level of Council Tax income was also impacted by the Covid-19 pandemic. The actual level of receipts was below the anticipated level due to a restriction in expected housing growth and substantial increases in levels of Council Tax Support.





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# Bedfordshire Pension Fund

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2020/2021

## Fund Account for the Year Ended 31 March 2021

2019/2020 £000		2020/2021 £000	See note
	<b>Contributions and Benefits</b>		
137,810	Contributions	193,603	7
11,365	Transfers in from other pension funds	9,765	8
23	Other Income	1	
<b>149,198</b>		<b>203,369</b>	
-99,628	Benefits	-103,136	9
-6,464	Payments to and on account of leavers	-9,153	10
<b>43,106</b>	<b>Net additions/(withdrawals) from dealings with members</b>	<b>91,080</b>	
-8,740	Management Expenses	-9,278	11
<b>34,366</b>	<b>Net additions/(withdrawals) including Management Expenses</b>	<b>81,801</b>	
	<b>Returns on Investments</b>		
12,457	Investment income	10,833	12
-1	Taxes on income	0	
-136,458	Profit and losses on disposal of investments and changes in value of investments	454,619	13a
<b>-124,002</b>	<b>Net return on investments</b>	<b>465,452</b>	
-89,636	Net increase/(decrease) in the fund during the year	547,253	
2,299,040	Opening Net Assets of the Fund	2,209,404	
<b>2,209,404</b>	<b>Closing Net Assets of the Fund</b>	<b>2,756,657</b>	

## Net Assets Statement for the Year Ended 31 March 2021

31 March 2020 £000		31 March 2021 £000	See note
833	Long Term Investment Assets	1,182	13.1
<b>833</b>	<b>Total Long Term Investment Assets</b>	<b>1,182</b>	
2,116,541	Investment Assets	2,692,256	13.2
0	Investment Liabilities	0	13.3
<b>2,116,541</b>	<b>Total Net Current Investments</b>	<b>2,692,256</b>	
<b>2,117,374</b>	<b>Total Net Investments</b>	<b>2,693,438</b>	
0	Long Term Assets	0	18
94,722	Current Assets	65,375	19
-2,692	Current Liabilities	-2,156	20
<b>2,209,404</b>	<b>Net assets of the fund available to fund benefits at the end of the Reporting Period</b>	<b>2,756,657</b>	

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

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 2020/2021 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 providing 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 2021, the total number of employees (i.e. from Councils within Bedfordshire and the other scheduled and admitted bodies) contributing to the Fund was 22,849 (22,493 at 31 March 2020), the number of pensioners was 18,929 (18,160) and the number of deferred pensioners was 32,001 (31,452).

A full list of participating bodies as at 31 March 2021 is included in the Bedfordshire Pension Fund Annual Report.

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 Revalued Earnings (CARE) scheme. 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-proof preserved pensions and pensions in payment.
- Pensions payable from age 55, including (with the employer's 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.bedsensionfund.org/active\\_members/guides\\_to\\_the\\_lgps.aspx](http://www.bedsensionfund.org/active_members/guides_to_the_lgps.aspx)

## 2) Basis of Preparation

The accounts are compliant with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 (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.

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 Administering Authority has carried out an assessment and is satisfied that Bedfordshire Pension Fund is a going concern. The Fund value at 31 March 2021 stood at £2.75 billion, an increase of £0.55 billion since 31 March 2020, regaining the losses reported at the last accounting date, as a result of the write down arising from the pandemic.

The Fund's cashflow remains robust. 76% of employer deficit contributions for the period to March 2023 were paid in advance in April 2020 and all employers during the year paid the contributions set out in the Rates and Adjustment Certificate. It remains the Fund's expectation that employers will continue to pay their contributions.

The Fund remains cashflow positive in 2021/2022 despite the significant level of prepayments made in the previous year. Cash held at the Balance Sheet date stood at £54.4 million, equivalent to 2% of the Fund Assets. In addition, the Fund does not have any external borrowing and held £2.6 billion in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Therefore, the fund is satisfied it has sufficient resources to meet its obligations to pay pensions throughout the going concern period which is at least 12 months from the date of authorisation of these accounts. For this reason, alongside the statutory guidance, these financial statements have been prepared on a going concern basis.

### **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.

As per the code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), there are no new Accounting Standards in the 2020/21 financial year.

## **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 an 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 benefits 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 assets 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
- Invesco Asset Management – Absolute Return Multi Asset

Where an investment manager's fee note has not been received by 31 March 2021, 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 managers 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 Net Asset Value (NAV) 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 2021.
- (ii) Traded futures are valued by reference to their exchange prices as at 31 March 2021.

- (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 2021. 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 2021. 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 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 2020/2021 affecting the Pension Fund.

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

The 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 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 123.

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 2021 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
<b>Actuarial present value of promised retirement benefits</b>	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. A Sensitivity Analysis is shown in Note 17a.
<b>Pooled Property</b>	Property investments are valued at fair value in accordance with the Royal Institute of Chartered Surveyors (RICS) 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
<b>Private Equity</b>	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) Events after the Reporting Date

As at the 30 September 2021 the Fund value stood at £2.92 billion, an increase of £0.17 billion since the 31 March 2021; this is a non-adjusting event.

## 7) Contributions receivable

2019/2020 £000	Contributions	2020/2021 £000
26,831	Employees' normal contributions	28,030
231	Employees' additional voluntary contributions	255
76,905	Employers' normal contributions	83,894
32,214	Employers' deficit funding	79,592
1,629	Employers' augmentation contributions	1,832
<b>137,810</b>		<b>193,603</b>
21,761	Administering authority	40,239
104,254	Scheduled bodies	144,300
11,795	Admitted and other bodies	9,064
<b>137,810</b>		<b>193,603</b>

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.

## 8) Transfers In From Other Pension Funds

2019/2020 £000	Transfers in from other pension funds	2020/2021 £000
0	Transfers in from other pension funds - bulk	0
11,365	Individual transfers from other pension funds	9,765
<b>11,365</b>		<b>9,765</b>

There were no bulk transfers into the Fund in 2020/2021.

## 9) Benefits Payable

2019/2020 £000	Benefits	2020/2021 £000
81,388	Pensions	84,491
16,165	Commutations of pensions and lump sum retirement benefits	15,708
2,075	Lump sum death benefits	2,937
<b>99,628</b>		<b>103,136</b>
	<b>Further analysed as:</b>	
13,442	Administering authority	13,611
76,410	Scheduled bodies	79,513
9,776	Admitted and other bodies	10,012
<b>99,628</b>		<b>103,136</b>

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

## 10) Payments To and On Account of Leavers

2019/2020 £000	Payments to and on account of leavers	2020/2021 £000
553	Refunds of contributions	288
0	Transfers to other schemes – bulk	0
5,580	Transfers to other schemes – individuals	8,360
331	Annual Allowance - Tax Charge	340
0	Lifetime Allowance - Tax Charge	165
<b>6,464</b>		<b>9,153</b>

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.

## 11) Management Expenses

2019/2020 £000	Management Expenses	2020/2021 £000
1,400	Administrative Costs	1,502
6,391	Investment Management Expenses	6,815
949	Oversight and Governance Costs	961
<b>8,740</b>		<b>9,278</b>

The external audit fees paid in 2020/2021 was £0.030 million and £0.026 million in 2019/2020.

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

2019/2020 £000	Investment Management Expenses	2020/2021 £000
0	Transaction Costs	0
4,288	Management Fees	5,094
0	Performance Related Fees	4
2,053	Underlying Property Fees	1,617
50	Custody Fees	100
<b>6,391</b>		<b>6,815</b>

## 12) Investment Income

2019/2020		2020/2021
£000	Investment Income	£000
0	Dividends from equities	0
11,433	Income from pooled investment vehicles	10,497
1,024	Interest on cash deposits	336
<b>12,457</b>	<b>Total Investment Income</b>	<b>10,833</b>

## 13) Investments

2019/2020		2020/2021	
£000	Investments	£000	Note
	<b>Long Term Investments</b>		
833	Pool Share Capital	1,182	13.1
<b>833</b>	<b>Total Long Term Investments</b>	<b>1,182</b>	
	<b>Equities</b>		
0	UK quoted equities	0	
0	Overseas quoted equities	0	
<b>0</b>	<b>Total Equities</b>	<b>0</b>	13.2
	<b>Managed and Unitised Funds</b>		
1,193,129	UK insurance managed funds	1,465,132	
204,846	UK property unit trusts	194,969	
517,987	Overseas unit trusts	595,303	
116,223	Global equity funds	200,863	
0	Multi Asset Credit	120,863	
28,737	Private Equity	28,797	
35,871	Infrastructure	53,838	
0	Private Credit	3,166	
<b>2,096,793</b>	<b>Total Managed and Unitised Funds</b>	<b>2,662,931</b>	13.2
	<b>Cash Deposits &amp; Other Investment Assets</b>		
0	Amount receivable for sales of investments	632	
40	Investment income outstanding	33	
<b>40</b>	<b>Other Investment Assets</b>	<b>665</b>	
19,708	Cash deposits	28,660	
<b>19,748</b>	<b>Total Cash and Other Investment Assets</b>	<b>29,325</b>	13.2
	<b>Investment Liabilities</b>		
0	Other liabilities	0	
<b>0</b>	<b>Total Other Liabilities</b>	<b>0</b>	13.3
<b>2,117,374</b>	<b>Total</b>	<b>2,693,438</b>	

## 13a Value of Investments

2020/2021	Market Value at 31 March 2020 £000	Purchases at cost & derivative payments £000	Sale proceeds & derivative receipts £000	Change in Market Value £000	Market Value at 31 March 2021 £000
<b>Long Term Investments</b>					
Pool Share Capital	833	349	0	0	1,182
<b>Equities</b>					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	0	0	0	0	0
<b>Managed Funds</b>	<b>1,309,352</b>	<b>146,320</b>	<b>-55,596</b>	<b>389,948</b>	<b>1,790,024</b>
<b>Unit Trusts</b>					
Property	204,844	1,657	-6,672	-4,860	194,969
Other	582,596	34,639	-8,828	69,531	677,938
	<b>787,440</b>	<b>36,296</b>	<b>-15,500</b>	<b>64,671</b>	<b>872,907</b>
<b>Other Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>2,097,625</b>	<b>182,965</b>	<b>-71,096</b>	<b>454,619</b>	<b>2,664,113</b>
<b>Cash</b>	19,708				29,293
<b>Currency Movements</b>	41				33
	<b>19,749</b>				<b>29,326</b>
<b>Total</b>	<b>2,117,374</b>				<b>2,693,439</b>

## 13.b Value of Investments

2019/2020	Market Value at 31 March 2019	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Market Value at 31 March 2020
	£000	£000	£000	£000	£000
<b>Long Term Investments</b>					
Pool Share Capital	833	0	0	0	833
<b>Equities</b>					
UK	0	0	0	0	0
Overseas	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Managed Funds</b>	<b>1,420,997</b>	<b>12,836</b>	<b>-3,483</b>	<b>-120,998</b>	<b>1,309,352</b>
<b>Unit Trusts</b>					
Property	214,788	13,334	-9,550	-13,728	204,844
Other	569,311	39,248	-24,231	-1,732	582,596
	<b>784,099</b>	<b>52,582</b>	<b>-33,781</b>	<b>-15,460</b>	<b>787,440</b>
<b>Other Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>2,205,929</b>	<b>65,418</b>	<b>-37,264</b>	<b>-136,458</b>	<b>2,097,625</b>
<b>Cash</b>	38,222				19,708
<b>Currency Movements</b>	1,737				41
	<b>39,959</b>				<b>19,749</b>
<b>Total</b>	<b>2,245,888</b>				<b>2,117,374</b>



### 13.c Investments Analysed by Fund Manager

2019/2020		Fund Manager	2020/2021	
£000	%		£000	%
356,357	16.13%	Legal & General - Global Equities	507,601	18.46%
322,969	14.62%	BlackRock - Equities	448,228	16.26%
215,195	9.74%	CBRE - Indirect Property	203,991	7.40%
162,512	7.36%	Legal & General - UK Equities	215,308	7.81%
186,115	8.42%	Insight - Absolute Return Bonds	200,535	7.27%
195,065	8.83%	BlackRock -Gilts inc. Index Linked	193,635	7.02%
150,116	6.80%	Pyrford-Absolute Return Multi-Asset	163,386	5.93%
156,225	7.07%	Invesco - Absolute Return Multi Asset	100,360	3.64%
119,866	5.43%	Newton - Absolute Return Multi Asset	143,049	5.19%
61,890	2.80%	BlackRock - Emerging Markets Equities	88,333	3.20%
30,775	1.39%	Aberdeen Standard - Private Equity	32,441	1.18%
21,840	0.99%	Pantheon – Real Assets	21,431	0.78%
0	0.00%	Pimco – Diversified Income Fund	120,863	4.38%
116,223	5.26%	BCPP Global Equity Alpha	200,863	7.29%
14,031	0.64%	BCPP Infrastructure	35,276	1.28%
0	0.00%	BCPP Private Credit	3,277	0.12%
833	0.04%	Pool Share Capital - Equities	1,182	0.04%
<b>2,109,501</b>	<b>95.49%</b>	<b>Net Assets Managed by External Bodies</b>	<b>2,679,759</b>	<b>97.21%</b>
99,391	4.50%	Net Assets Managed by the Administering Authority	76,898	2.79%
<b>2,209,404</b>	<b>100.00%</b>	<b>Total Assets</b>	<b>2,756,657</b>	<b>100.00%</b>

### 13.d Investments exceeding 5% of net assets (excluding UK Government Securities)

2019/2020 £000	% of Total Market Value	Managed and Unitised Investment	2020/2021 £000	% of Total Market Value
518,869	23.49%	Legal & General	545,465	20.26%
579,924	26.25%	BlackRock Advisers	730,196	27.12%
186,115	8.42%	Insight	200,535	7.45%
150,116	6.80%	Pyrford	163,386	6.07%
156,225	7.07%	Invesco	100,360	3.73%
119,866	5.43%	Newton	143,049	5.31%
116,223	5.26%	Border to Coast Pensions Partnership	239,417	8.89%

### 13.e Stock Lending

The Fund did not undertake any stock lending during 2020/2021.

## 14) 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
Cash balances, money market funds and investment income due but not yet paid	1	Expected maturity date of less than two months, therefore, Fair Value is the carrying value of these assets and liabilities	Not required	Not required
Non-investment current assets and current liabilities (carried at amortised cost)	1	Short-term transactions and high degree of certainty of settlement value. Fair Value is carrying value at the year-end date	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

Asset Type	Level	Valuation Basis	Observable and Unobservable Inputs	Key Sensitivities
Private Equity	3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines (2012)</i>	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 of historical data, current market trends, information supplied by the investment managers and the Pension 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 2021.

14a. Level 3 Assets	Valuation Range	Value at 31 March 2021	Valuation Increase	Valuation Decrease
	+/-	£000	£000	£000
Property	10	99,369	109,306	89,432
Private Equity	15	28,797	33,116	24,477
Infrastructure	15	53,838	61,914	45,762
Private Credit	15	3,166	3,641	2,691

### 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. Investments classified as level 1 comprise of quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

#### 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.

<b>Table 14.b Analysis of Asset Levels</b>				
<b>31 March 2021</b>				
	<b>Quoted Market Price</b>	<b>Using Observ able Inputs</b>	<b>With significant unobserva ble inputs</b>	
	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	0	2,478,393	185,720	<b>2,664,113</b>
Financial assets at amortised cost	85,347			<b>85,347</b>
<b>Total Financial Assets</b>	<b>85,347</b>	<b>2,478,393</b>	<b>185,720</b>	<b>2,749,460</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	0			0
Financial liabilities at amortised costs	-2,156			<b>-2,156</b>
<b>Total financial liabilities</b>	<b>-2,156</b>	<b>0</b>	<b>0</b>	<b>-2,156</b>
<b>Net financial assets</b>	<b>83,191</b>	<b>2,478,393</b>	<b>185,720</b>	<b>2,747,305</b>

<b>31 March 2020</b>				
	<b>Quoted Market Price</b>	<b>Using Observ able Inputs</b>	<b>With Significant Unobserva ble Inputs</b>	
	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial Assets</b>				
Financial Assets at fair value through profit and loss	0	1,924,872	171,919	2,096,791
Financial assets at amortised cost	105,968			105,968
<b>Total Financial Assets</b>	<b>105,968</b>	<b>1,924,872</b>	<b>171,919</b>	<b>2,202,760</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through profit and loss	-11			-11
Financial Liabilities at amortised cost	-2,680			-2,680
<b>Total Financial Liabilities</b>	<b>-2,691</b>	<b>0</b>	<b>0</b>	<b>-2,691</b>
<b>Net Financial Assets</b>	<b>103,277</b>	<b>1,924,872</b>	<b>171,919</b>	<b>2,200,069</b>

The following assets have been carried at cost. (£833,000 in 2019/20):

<b>Table 14.c Share Capital</b>				
<b>Values at 31 March 2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Share Capital in Border to Coast Pool	0	0	1,182	1,182
<b>Investments held at cost</b>	<b>0</b>	<b>0</b>	<b>1,182</b>	<b>1,182</b>

### Reconciliation of Fair Value Measurement within Level 3

<b>Table 14.d Reconciliation of Fair Value Measurement within Level 3</b>								
	<b>2019/ 2020</b>	<b>Transfer Into Level 3</b>	<b>Transfer Out of Level 3</b>	<b>Purchases</b>	<b>Sales</b>	<b>Unrealised Gains/ Losses</b>	<b>Realised Gains/ Losses</b>	<b>2020/ 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Private Equity	28,737	0	0	4,316	-4,069	-2,145	1,958	28,797
Infrastructure	35,871	0	0	29,425	-4,759	-6,529	-170	53,838
Property	107,311	0	0	1,657	-6,040	-2,866	-61	98,737
Private Credit	0	0	0	4,011	-594	-252	1	3,166
	<b>171,919</b>	<b>0</b>	<b>0</b>	<b>39,409</b>	<b>-15,462</b>	<b>-11,792</b>	<b>1,728</b>	<b>184,537</b>

## 15) 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.

<b>2019/2020</b>			<b>2020/2021</b>		
<b>Fair value throu gh profit &amp; loss £000</b>	<b>Financial assets at amortis ed cost £000</b>	<b>Financial liabilitie s at amortis ed cost £000</b>	<b>Fair value throu gh profit &amp; loss £000</b>	<b>Financial assets at amortis ed cost £000</b>	<b>Financial liabilitie s at amortis ed cost £000</b>
<b>Financial Assets</b>					
833	0	0	Equities	1,182	0
			Managed & unitised		
2,096,280	0	0	funds	2,662,932	0
0	100,426	0	Cash	0	83,066
			Other investment		
0	40	0	assets	0	666
0	5,502	0	Debtors	0	1,615
<b>2,097,113</b>	<b>105,968</b>	<b>0</b>	<b>2,664,114</b>	<b>85,347</b>	<b>0</b>
<b>Financial Liabilities</b>					
			Other investment		
0	0	0	liabilities	0	0
-11	0	-2,680	Creditors	0	0
<b>-11</b>	<b>0</b>	<b>-2,680</b>	<b>0</b>	<b>0</b>	<b>-2,156</b>
<b>2,097,102</b>	<b>105,968</b>	<b>-2,680</b>	<b>2,664,114</b>	<b>85,347</b>	<b>-2,156</b>

## Net Gains and Losses on Financial Instruments

2019/2020 £000		2020/2021 £000
	<b>Financial Assets</b>	
-136,458	Designated at fair value through profit and loss	454,619

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

## 16) Nature of Extent of Risks Arising from Financial Instruments

The Pension Fund's assets are predominantly managed by external investment managers appointed by the Pension Fund Committee. Each fund manager is required to invest the assets in accordance with the terms of a written Investment Management Agreement (IMA) 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 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 Committee, in line with the Investment Strategy Statement (ISS). 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 ISS is formulated to identify the risks managed by investment managers, to set appropriate risk limits and to monitor adherence to those limits. The ISS 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 objective 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.

**Table 16.a Exposure to Interest Rate Risk**

Carrying value at 31/03/2020	Change in year in net assets available to pay benefits		Asset type	Carrying value at 31/03/2021	Change in year in net assets available to pay benefits	
	100 bps	-100 bps			+100 bps	-100 bps
£000	£000	£000		£000	£000	£000
687,522	6,875	-6,875	Fixed interest securities	778,778	7,787	-7,787
101,234	1,012	-1,012	Cash & cash equivalents	83,066	831	-831
<b>788,756</b>	<b>7,887</b>	<b>-7,887</b>	<b>Total</b>	<b>861,844</b>	<b>8,618</b>	<b>-8,618</b>

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 2021 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 Custodian and the Fund's policy documents, the Fund believes the following are reasonable.

### Currency Risk by Asset Class

**Table 16.b Exposure to Interest Currency Risk**

Asset Type	Value £000	Change %	2020/2021	
			Value on Increase £000	Value on Decrease £000
Overseas Equities	998,710	6.00%	1,058,632	938,787
Overseas Property	0	6.00%	0	0
Overseas Absolute Return	321,398	6.00%	340,681	302,114
Overseas Diversified Growth	406,794	6.00%	431,202	382,387
Overseas Alternatives	85,802	6.00%	90,950	80,653
Overseas Cash	10,449	6.00%	11,076	9,822
<b>Total</b>	<b>1,823,153</b>	<b>6.00%</b>	<b>1,932,542</b>	<b>1,713,763</b>



Asset Type	2019/2020			
	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	492,818	5.50%	519,923	465,713
Overseas Property	0	5.50%	0	0
Overseas Absolute Return	186,115	5.50%	196,351	175,879
Overseas Diversified Growth	150,117	5.50%	158,373	141,860
Overseas Alternatives	66,132	5.50%	69,769	62,494
Overseas Cash	7	5.50%	8	7
<b>Total</b>	<b>895,189</b>	<b>5.50%</b>	<b>944,424</b>	<b>845,953</b>

### 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 Custodian, and the Fund's policy documents, the Fund believes the following is reasonable for the 2020/2021 reporting period.

Asset Type	% Change
UK and Overseas Equities	14.0%
Property	15.0%
Absolute Return Bonds	10.0%
Diversified Growth Funds	12.0%
Gilts	10.0%
Private Equity	25.0%
Private Credit	15.0%
Infrastructure	25.0%
Cash	0.5%

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.

**Table 16.c Exposure to market fluctuations**

Asset Type	Value £000	Change %	2020/2021	
			Value on Increase £000	Value on Decrease £000
UK Equities	461,624	14.0%	526,252	396,997
Overseas Equities	998,710	14.0%	1,138,529	858,890
Property	194,969	15.0%	224,214	165,723
Absolute Return Bonds	321,398	10.0%	353,537	289,258
Diversified Growth Funds	406,794	12.0%	455,610	357,979
Gilts	193,635	10.0%	212,998	174,271
Private Equity	28,797	25.0%	35,996	21,598
Private Credit	3,166	15.0%	3,641	2,691
Infrastructure	53,838	25.0%	67,298	40,379
Cash	83,066	0.5%	83,481	82,651
<b>Total</b>	<b>2,745,997</b>		<b>3,101,557</b>	<b>2,390,437</b>

Asset Type	Value £000	Change %	2019/2020	
			Value on Increase £000	Value on Decrease £000
UK Equities	203,789	14.0%	232,320	175,259
Overseas Equities	816,996	14.0%	931,376	702,617
Property	204,863	15.0%	235,593	174,134
Absolute Return Bonds	186,115	10.0%	204,727	167,504
Diversified Growth Funds	426,208	12.0%	477,353	375,063
Gilts	195,065	10.0%	214,572	175,559
Private Equity	30,773	25.0%	38,466	23,080
Infrastructure	35,359	25.0%	44,199	26,519
Cash	110,235	0.5%	110,786	109,684
<b>Total</b>	<b>2,209,404</b>		<b>2,489,391</b>	<b>1,929,417</b>

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 £105 million representing 3.8% of the Fund.

## 17) Funding Arrangements – Actuary Statement

The Fund's Actuary has provided the following Statement on the valuation of the retirement benefits as at 31 March 2021 and the assumptions made in the valuation.

### Introduction

The last full triennial valuation of the Bedfordshire Pension Fund (the Fund) was carried out as at 31 March 2019 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 26 March 2020.

### Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

The smoothed value of the Fund's assets for funding purposes as at 31 March 2019 was £2,291m. The Fund had a funding level of 80% i.e. the value of assets for funding purposes was 80% 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 £556m.

### 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 19.2% 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 2020.

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 Adjustments Certificate in the triennial valuation report.

## Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Assumptions	Assumptions used for the 2019 valuation										
Financial assumptions											
Market date	31 March 2019										
CPI inflation	2.6% p.a.										
Long-term salary increases	3.6% p.a.										
Discount rate	4.6% p.a.										
Demographic assumptions											
Post-retirement mortality											
	<table> <tr> <th>Base tables</th><th>Based on Club Vita analysis</th></tr> <tr> <td>Projection model</td><td>CMI 2018</td></tr> <tr> <td>Long-term rate of improvement</td><td>1.25% p.a.</td></tr> <tr> <td>Smoothing parameter</td><td>7.5</td></tr> <tr> <td>Initial addition to improvements</td><td>0.5% p.a.</td></tr> </table>	Base tables	Based on Club Vita analysis	Projection model	CMI 2018	Long-term rate of improvement	1.25% p.a.	Smoothing parameter	7.5	Initial addition to improvements	0.5% p.a.
Base tables	Based on Club Vita analysis										
Projection model	CMI 2018										
Long-term rate of improvement	1.25% p.a.										
Smoothing parameter	7.5										
Initial addition to improvements	0.5% 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 2019 valuation report.

## Updated position since the 2019 valuation

### Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were slightly more than where they were projected to be based on the previous valuation.

### Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20-year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20-year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

## Overall position

On balance, we estimate that the funding position has weakened slightly when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. Deficit contributions would also be slightly higher as a result of the worsening in the funding position.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

**Graeme D Muir FFA**  
**Partner, Barnett Waddingham LLP**

## 17a) Actuarial Present Value of promised Retirement Benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year.

The actuarial (IAS19) present value of promised retirement benefits of the Pension Fund are set out in the following table. This reflects the underlying commitment of the Pension Fund in the long term to pay retirement benefits to its active (employee members), deferred and pensioner members. The liabilities include an allowance for the potential impact of the McCloud judgement. The value of the Funds Assets in the table below is the net assets as per the pension fund's Net Asset Statement.

31 March 2020 £000		31 March 2021 £000	
(3,796,600)	Present Value of the defined benefit obligation	(5,238,170)	
2,209,404	Fair Value of Fund Assets (bid value)	2,756,657	
<b>(1,587,196)</b>	<b>Net Liability</b>	<b>(2,481,513)</b>	

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 17), in particular IAS19 stipulates a discount rate rather than a rate that reflects market rates. The actuary has also used valued ill health and death benefits in line with IAS19.

2019/2020 % pa	Assumptions	2020/2021 % pa
2.35	Discount Rate	2.00
1.70	Pension Increases	2.85
2.70	Salary Increases	3.85

The sensitivity of the assumptions on the value of liabilities have been calculated in the tables below:

	£000	£000
<b>Sensitivity to:</b>	<b>+0.1%</b>	<b>-0.1%</b>
Discount Rate	5,130,743	5,347,955
Long Term Salary Increases	5,246,904	5,229,505
Pension Increases and deferred revaluation	5,338,198	5,140,184
	<b>+1 year</b>	<b>-1 year</b>
Life Expectancy Assumptions	5,478,560	5,008,832

## 18) Long Term Debtors

In 2005, Magistrates Courts' staff transferred from the Local Government Pension Scheme to the Civil Service Scheme. Whilst transfer values were effected at that time, an agreement on funding the deficit position was not finalised until February 2011. The agreement set out that Bedfordshire Pension Fund would receive ten annual payments of £0.608 million, commencing April 2011, ending at 31 March 2021. As a result, there are no instalments falling due more than one year from the balance sheet date. The amount falling due within less than a year is shown as current assets.

## 19) Current Assets

2019/2020 £000	Current Assets	2020/2021 £000
1,386	Contributions due from Administering Authority	1,422
11,318	Contributions due from other scheme employers	8,597
608	Civil Service Pensions Scheme - see note 189 above	0
0	Bulk Transfer due from other Local Authorities	0
693	Other	950
<b>14,005</b>		<b>10,969</b>
80,717	Cash	54,406
<b>94,722</b>	<b>Current Assets</b>	<b>65,375</b>

The cash balance of £54.4 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

2019/2020 £000	Current Liabilities	2020/2021 £000
378	Administration costs etc. due to Administering Authority	184
801	Investment managers' fees	735
26	Other professional fees	30
0	AVCs in transit	0
0	Death grants	0
1,475	Other	1,207
<b>2,680</b>		<b>2,156</b>
11	Provision for Tax Reclaims over 1 Year	0
<b>2,691</b>	<b>Current liabilities</b>	<b>2,156</b>

## 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 assets with Prudential and the Standard Life Assurance Company.

2019/2020 £000	Additional Voluntary Contributions	2020/2021 £000
4,970	Value at 1 April	4,964
<b>809</b>	<b>Income</b>	
	Contributions received	811
	<b>Expenditure</b>	
-543	Retirements	-930
-3	Transfers values paid	-19
<b>-546</b>		<b>-949</b>
-269	Change in market value	555
<b>4,964</b>	<b>Value at 31 March</b>	<b>5,381</b>

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.

Breakdown of AVC Providers			
	Prudential	Standard Life	Total
Value at 1 April 2020	<b>3,969</b>	<b>995</b>	<b>4,964</b>
<b>Income</b>			
Contributions received	800	11	811
<b>Expenditure</b>			
Retirements	-656	-274	-930
Transfers values paid	0	-19	-19
	<b>-656</b>	<b>-293</b>	<b>-949</b>
Change in market value	473	82	555
Value at 31 March 2021	<b>4,586</b>	<b>795</b>	<b>5,381</b>

The financial statement from the Prudential was not available in time for the publication of the Statement of Accounts. The figures for Prudential include in the tables above have been estimated based on the previous three years' statements.



## 22) Related Party Transactions

Pension Fund 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. Some of the 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 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 Sawyer is a Director at Bedford Consulting Limited.
- A member of Councillor Sawyer's family is a scheme member through Bedford College.
- Councillor Wenham is a Director at Raynsford Church of England Academy, Southeast Midlands Local Enterprise Partnership Limited, Henlow Pavilion Management Limited and Rasear Limited.
- Councillor Young is a Director at London Luton Airport Limited and Active Luton.
- Councillor Nawaz is a member of the Bedfordshire & River Ivel Drainage Board.

There were no material transactions between members and officers and the Fund during 2020/2021.

The only material related party transactions during 2020/2021 were in respect of contributions paid by the employing bodies into the Fund. See Note 7.

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.

Administration and investment management costs include charges by Bedford Borough Council for providing services in its role as administering authority. For 2020/2021 these amounted to £1.0 million (2019/2020 £1.1 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 2020/2021, £3.0 million (2019/2020 £3.0 million) was paid and recovered from employers.

### Key Management Personnel

There are two senior officers of Bedford Borough Council involved in the financial management of Bedfordshire Pension Fund. They are the Assistant Chief Executive (Enabling), (The Fund Administrator) and the Chief Officer for Corporate Finance & Pensions. Both of these officers charge a proportion of their time to the Pension Fund as part of Bedford Borough Council's role as administering authority. In 2020/2021, their remuneration was as follows:

2019/2020 £000		2020/2021 £000
67	Short-term benefits	69
11	Post-employment benefits	11
<b>78</b>		<b>80</b>

## 23) Contingent Liabilities and Contractual Commitments

There were no material contingent liabilities as at 31 March 2021. But there were outstanding capital commitments to investment vehicles of up to £171.6 million (31 March 2020: £166.5 million). These commitments relate to outstanding call payments (including callable distributions) due on unquoted investments in infrastructure £121.7 million; private equity £12.3 million; real assets £4.3 million; and private debt £33.3 million. The amounts drawn down by the managers are irregular in both size and timing over typical periods of up to 6 years from the date of the original commitments.



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# Annual Governance Statement

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2020/2021

## Executive Summary

The Annual Governance Statement is a statutory document, which explains the processes and procedures in place to enable the Council to carry out its functions effectively. Regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS). The AGS reports publicly on the effectiveness of governance and internal control arrangements and how the Council has complied with its Local Code of Corporate Governance, including how it monitors effectiveness. The Governance Framework has been in place at Bedford Borough Council for the year ended 31 March 2021 and up to the date of approval of the annual statement of accounts.

Bedford Borough Council is committed to enhancing Bedford Borough as a place where people, communities, businesses can grow and realise their potential. This commitment is set out in the Council's **Corporate Plan 2017-2021**, now extended to 2022, which describes how the Council will meet the challenges ahead and make the most of opportunities. To be successful the Council must have a solid foundation of good governance and sound financial management. The Council's Local Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. The Code is supported by a Governance Framework that sets out how and what the Council will seek to obtain assurance on. A copy of the Council's **Local Code of Corporate Governance** and **Governance Framework** are available on our website.

### Approval of the Annual Governance Statement

The Mayor and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. We confirm we have been advised of the implications of the review by Senior Management and the Audit Committee and are satisfied that the steps outlined in this document will address the areas for improvement. Through the actions referred to in the Action Plan on page 149, 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 on behalf of Bedford Borough Council:**



*Elected Mayor  
December 2021*



*Chief Executive  
December 2021*

## Introduction

Bedford Borough Council is a Unitary Authority with a directly elected Mayor. The Mayor has executive powers and selects some councillors to be on his Executive. Each Executive member takes on a portfolio of responsibilities for particular service areas. The present Mayor was re-elected in May 2019 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, the make-up of the Council including the Elected Mayor is as follows:

- 16 Liberal Democrats
- 11 Labour
- 11 Conservatives
- 2 Green Party
- 1 Independent

Across the area of Bedford Borough there are 47 parish and town councils. The Council's gross expenditure budget for 2020/2021 was £365.1million of which £163.6 million funding is the Dedicated Schools Grant. The net Budget for 2020/2021 was £132.0 million which was made up from the following sources:

- Government Grant - £5.9 million
- Business Rates - £30.3 million
- Council Tax - £95.8 million

In January 2021, the Council's Chief Executive of twelve years gave his notice to retire in April 2021. The Council had interim arrangements to cover this position from April to September. A permanent Chief Executive started in October 2021.

During 2020/2021 there were no changes to the Senior Management structure. However, following the approval of a new Senior Management restructure at Full Council in March 2021, effective 1 July 2021, work is now ongoing to implement the new structure. As the new structure is implemented there is the opportunity to consider and implement new ways of working. This work will build on the existing work of the transformation programme, recognising the continued tough financial challenge, not least the recent impact of the Covid-19 pandemic.

During 2020/2021 the Council continued to meet the challenges of the pandemic, providing new services and financial assistance, whilst continuing to see increased demand for many of the Council's existing services. The Annual Governance Statement assesses the governance arrangements in place during 2020/2021. The Covid-19 pandemic affected all of the 2020/2021 financial year, and the impact of the pandemic on the Governance framework and control environment from March 2020 is described at page 143 of this statement.

The Council's new Transformation Programme has been developed and approved by Full Council on 3 February 2021. This saw completion of the BB2020 programme, with around 70 projects delivered, achieving savings of approximately £18 million. The new programme continues to redesign services to better meet the needs of residents and businesses.

## 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 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.

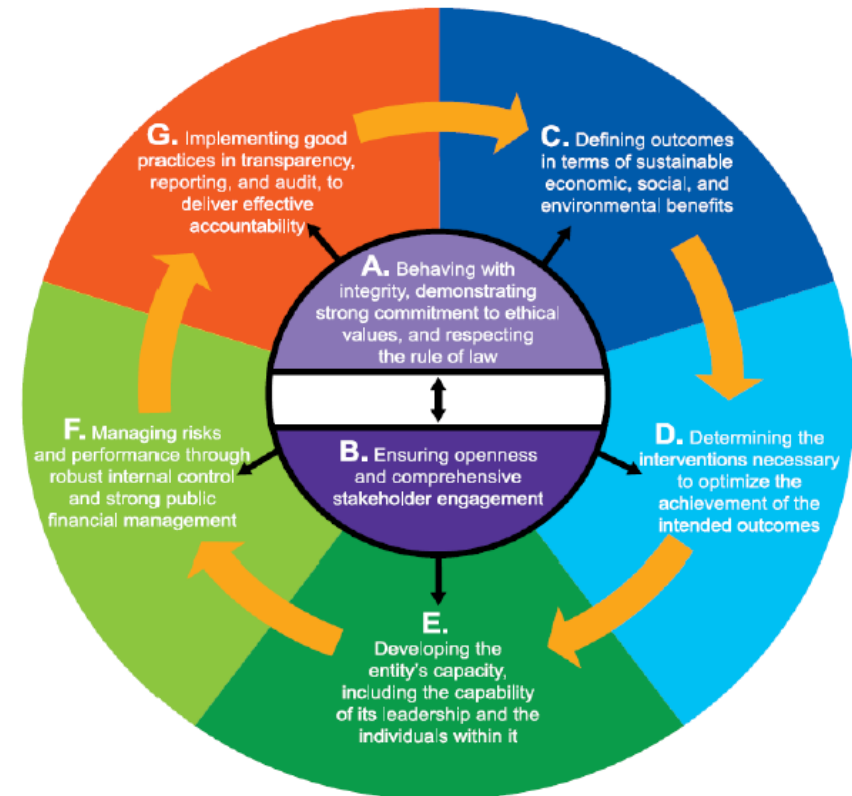
Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Management Team (MT) which comprises the Chief Executive and Directors supported by Statutory Officers: Section 151 Officer and Monitoring Officer.

The Council has adopted a Local 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. The Annual Governance Statement explains how the Council has complied with its Local Code and the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

<sup>1</sup> Amended by *The Accounts and Audit (Coronavirus)(Amendment) Regulations 2021*, March 2021

The Local Code of Corporate Governance was updated during 2020/2021, approved by the Audit Committee in March 2021, and was ratified at Full Council on 14 July 2021.

The Council's Local Code of Corporate Governance sets out the principles of good governance and describes the arrangements the Council has put in place to meet each of these principles:



## Governance Framework





## The System of Internal Control

The governance framework described above 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 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 local communities of the goals set out in the Corporate Plan.

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives. 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.

## 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. This review of effectiveness is informed by:

- The work of the Corporate Governance Working Group, 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. The Audit Committee relies on the work of Internal Audit to ensure there is an adequate and effective internal control environment. This has remained a key source of assurance for the Council in 2020/2021;
- Comments made by the external auditors and other review agencies and inspectorates; and
- The Audit Committee's work programme, which reviews that the elements of the governance framework are in place, to ensure compliance with the principles. An annual report for the full calendar year 2020/2021 and went to Full Council on 14 July 2021.



As part of this review of effectiveness, 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 2020/2021. These assurance arrangements are consistent with the Governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).

Whilst a number of assurances have been obtained to support the conclusion that the Council's governance arrangements are adequate, it is important that the following specific assurances are considered to support this Annual Governance Statement:

### Chief Executive

The Chief Executive is responsible for the overall corporate and operational management of the Council. These responsibilities have been considered within the context of this Statement and the Chief Executive can confirm that proper arrangements have been put in place for the overall operation and management of the Council.

The Chief Executive has no significant concerns to report and highlights the work that has been undertaken around the new Senior Management restructure. Following the approval of the new structure at Full Council in March 2021, work is still ongoing to implement the structure, however most changes were implemented with effect from 1 July 2021.

Work to help support senior managers throughout this process is also taking place, and will guide the Council as it looks ahead to consider the design of all service areas, with consideration of its front, middle and back office functions.

Implementing these changes and embedding new ways of working will be a continual process over the current financial year and will build on the existing work of the transformation programme, recognising the continued tough financial challenge, not least the recent impact of Covid-19.

Continuing to provide support and care for the most vulnerable residents and a first-class service for all, remains the Council's priority and this will inform decisions going forward. The Council will look at all areas of its business to ensure that it operates as efficiently as possible as the organisation continues to evolve and continues to meet the needs of local people.

The Council is also considering how a phased return to work for staff could happen in the future, although the priority continues to be the safety of staff and members. Therefore most staff are being asked to continue to work from home at the present time.



## Chief Finance Officer (Section 151)

The Chief Finance Officer (CFO) role at the Council is responsible for the development and maintenance of the Council's financial governance, risk and control frameworks which ensure that financial decision making is both lawful and prudent. The CFO is also responsible, in accordance with Section 151 of the Local Government Act 1972, for the proper administration of the Council's financial affairs.

These responsibilities have been considered within the context of this Statement and the CFO can confirm that the Council's arrangements meet the requirement to be proper as set out in Section 151 of the Local Government Act 1972. Additionally the Council complies with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) and the CIPFA Code of Practice on Local Authority Accounting for 2020/2021. The CFO presented his annual report on the adequacy of the current arrangements for the proper financial administration of the Council, to the Audit Committee on 16 March 2021. This included a description of the key controls in place.

The governance arrangements and system of internal control aims to provide as much assurance as is reasonably possible (not absolute assurance) that assets are safeguarded, transactions are properly authorised and recorded, and that material errors or irregularities are either prevented or can be detected promptly. In conjunction with his management team, the CFO has reviewed the governance and effectiveness of the systems of internal control, informed by:

- regular scrutiny of financial and other performance monitoring data;
- Internal audit reports on the systems of internal control; and
- self-assessment of the arrangements supporting the Annual Governance Statement, including any changes made and weaknesses identified as a result of the Covid-19 pandemic.

The CFO is satisfied that the internal control systems in operation during the year were adequate and effective although there is a need to enhance contract monitoring in line with Contract Procedure Rules with a proposal over the coming year to enable wider training and support for Managers to enhance contract monitoring.

The budget for 2021/2022 was agreed by Full Council in February 2021 and financial performance is reported on a quarterly basis to Members. While the Council has robust financial management arrangements, in the Medium Term Financial Strategy refresh presented to Full Council on 17 March 2021, the Council identified a funding gap of £9.5 million in 2022/2023 and £2.2 million in 2023/2024, with a cumulative gap of £17.1 million by 2025/2026. These forecasts are based on assumptions in relation to both the duration and severity of Covid-19 and the speed of the UK economic recovery. A longer duration will increase costs and reduce income to a greater degree; an increased severity in economic terms will increase demand led spending and suppress recovery of income levels. The MTFS assumes that the economy will broadly recover by the end of financial year 2023/2024.

The Council's Transformation Programme was initially approved by the Executive on 28 October 2020 to meet the funding gap over the medium term. The impact of Covid-19 has required a reorientation of the Programme which is well under way with a number of key themes evident; efficient business processes harnessing the Council investment in technology, continued supplier engagement to explore new and more cost effective ways of procuring services, building on those opportunities that have arisen during the crisis, such as greater agile working, and Directorate Service Proposals that look at what and how specific services are delivered.

## Monitoring Officer

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision or omission by the Council has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989. These responsibilities have been considered within the context of this Statement, and the Monitoring Officer has no significant concerns to report and has had no reason to submit a report in accordance with the above.

In 2020/2021 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.

The Monitoring Officer is satisfied that the Council has robust processes for decision making. During the Covid-19 pandemic, arrangements have been made for the conduct of virtual meetings to ensure the business of the Council could continue in accordance with the Virtual Meeting Regulations. There have been some ICT issues with accessibility of members and public to meetings. These have, in the main been addressed, however, issues remain due to poor internet connections of individuals.

The Monitoring Officer has no concerns regarding Member conduct. There have been a very small number of complaints alleging a breach of the Member Code of Conduct during the past year and none have required further action/investigation.

The previous AGS action plan for 2019/2020 highlighted that the Council's Constitution was being reviewed and updated, to take into account management restructures and to ensure that it is fit for purpose. The target date for this was the end of December 2020, however the Covid-19 pandemic has led to a delay in the review of the Constitution due to lack of time and resources.

The Monitoring Officer had also previously highlighted the need for improvements to Information Governance, which had been included in the 2019/2020 AGS action plan. The target date for this was September 2020. However, due to the Covid-19 pandemic it was not possible to progress this action within the initial timescale. It is now apparent that in light of the Council's operating model, as reaffirmed by the Executive on 6 January 2021, a review of Information Governance arrangements should be undertaken as part of the detailed service reviews that will be undertaken from Spring 2021.





## Chief Officer for Internal Audit

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Chief Audit Executive (the Chief Officer for Internal Audit at the Council) is required to provide independent assurance and opinion on the adequacy and effectiveness of the Councils' risk management and control framework, and through the internal audit service deliver an annual programme of risk based audit activity, including counter fraud and investigation activity and make recommendations for the improvement of the management of risk and control.

The original Internal Audit Plan for 2020/2021 was approved by the Audit Committee in March 2020, however due to the onset of the Covid-19 pandemic, this was revised in July 2020, and presented to Audit Committee, to address emerging risks and to remove some lower risk areas.

The Chief Officer for Internal Audit is satisfied that sufficient work has been undertaken during 2020/2021 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. The Chief Internal Auditor's annual report 2020/2021, which was presented to the Audit Committee on 14 June 2021, therefore provides the independent assurance that key risks (financial and non-financial) are adequately controlled and provides an opinion on the effectiveness of these arrangements. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute.

During 2020/2021 Internal Audit were required to have an external assessment against the Public Sector Internal Audit Standards (PSIAS) 2013, revised in 2017. In March-May 2021 the Internal Audit service was externally reviewed against the PSIAS by another Council, confirming substantial compliance. The results were reported to the

Audit Committee at its meeting in June 2021.



All key financial systems were audited in 2020/2021, and audit reports were provided to management and the outcomes reported to the Audit Committee. Outstanding high risk recommendations relating to Adults Social Care Payments, and two schools, were reported to the Audit Committee during 2020/2021 and will continue to be monitored until they are resolved.

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.

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 2020. The operational risk registers were all updated during 2020/2021. The Strategic Risk Register was updated and approved by the Executive during 2020/2021 and monitored regularly by Management Team. New risks arising from the Covid-19 pandemic continued to be monitored by the Joint Executive and the Management Team, in a specific Covid-19 risk register.

In response to the Covid-19 pandemic, Internal Audit has consulted with service areas to identify changes to the Council's services, or any new services, where changes to normal business practices or implementation of new arrangements has been necessary. Examples include democratic decisions, statutory responsibilities, financial systems/processes (e.g. for business grants, and financial aid to social care providers) and procurement practices. Internal Audit has been proactive in providing input and advice to services on any proposed changes.

The Covid-19 pandemic affected all of the 2020/2021 financial year. Central government introduced various financial support schemes which were required to be administered by Local Authorities, as detailed in the Covid-19 impact section on page 143.

Given the large number and value of financial transactions involved, these financial support schemes introduced a heightened risk of fraud. In April 2020, Internal Audit requested all service areas to complete a fraud risk assessment to aid identification of the areas at most risk of fraud. This resulted in some audit resources being deployed in various payment processes to help prevent and detect any fraudulent transactions.

Whilst Internal Audit carried out some specific targeted Covid-19 fraud work, this does not address all the potential risks of fraud posed by the Covid-19 pandemic. The Internal Audit team have remained alert to any Covid-19-specific risks in their day-to-day work, and have adjusted testing programmes to address the risks. The Internal Audit team is currently beginning work on key financial systems audits in its 2021/2022 audit plan, and will continue to identify any Covid-19 impact on the control environment.

In terms of the Council's internal control framework the majority of the authorisation controls are electronic/system driven and Covid-19 did not impact on these in a significant way.

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 (November 2019)
- Fraud Risk Register (March 2021)
- Corporate Confidential Reporting Policy (June 2020)
- Bribery and Anti-Money Laundering Policies (March 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.

### External Audit

In December 2020 the Council's external auditor (EY LLP) provided the Council with an unqualified opinion on the Council's 2019/2020 accounts and their Annual Audit and Inspection letter was received by the Audit Committee in March 2021. EY also concluded that the Council has effective arrangements to secure Value for Money. EY are currently completing their audit of the Council's 2020/2021 accounts.



## Other assurances

### Member Training and Development

The Council is committed to supporting the development of all Elected Members to enable them to perform effectively in their current roles and to develop to meet future challenges. A comprehensive induction programme is offered to all new Members following their election to office including training on the Code of Conduct. Due to Covid-19 there has been no formal member training since February 2020 however members have had training in how to use online meeting software. With the recent changes in the make-up of the Audit Committee, from May 2021, it has been identified that the members would benefit from training on the role of the audit committee, and the skills required.

### Staff Training and Development

The Council has received the Investors in People accreditation which last until 5th July 2022, having recently gone through the strategic review process to renew it for a further twelve months. 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 BBOLT staff learning & training website

Workforce Development have been working on developing ways to improve the staff learning experience. Through the launch of BBOLT, the Council's Learning & Training website, the Council now offers an innovative approach to satisfy the learning needs of its agile workforce. BBOLT is the place to for staff to go to for staff digital and classroom training needs, including e-learning and booking virtual/face-to-face classroom training.



### Corporate Plan and Transformation Programme

The process for reporting against the Corporate Plan has continued throughout 2020/2021, 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. Overview & Scrutiny Committees also review performance on a regular basis. The outturn for 2020/2021 against the Corporate Plan was reported to Executive on 15 September 2021; this will include information on the successes and challenges throughout the year. The Performance Management Framework has continued to operate effectively during the year.

As part of the 'Bedford Borough 2020' modernisation programme a number of service re-designs were completed during the year. The Council's new Transformation Programme has been developed and approved by Full Council on 3 February 2021. This saw completion of the BB2020 programme, with around 70 projects delivered, achieving savings of approximately £18 million. The new programme continues to redesign services to better meet the needs of residents and businesses.



### Stakeholder Engagement

To provide services that are best suited to its customers the Council listens to its citizens and stakeholders. Consultation around an issue helps tailor services, and meet the needs of the community. Consultation helps 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 decisions and policies are made from a strong evidence base.

During 2020/2021, the following key public consultations were conducted:

- Overview and Scrutiny Committees' Work Programmes Consultation 2021
- Housing Strategy Consultation
- Budget 2021 Consultation
- Public Spaces Protection Order (Street Drinking) Consultation
- Taxi and Private Hire licensing policy consultation
- LibraryPlus Consultation
- Children's Centres Consultation
- Housing Allocations Consultation

In 2020/21, the Council responded to 297 complaints at stage 1 and 76 complaints at stage 2 of our Corporate Complaints Procedure. Additionally, 21 complaints were addressed via our Adult Social Care Complaints Procedure and 6 were addressed via our Children's Social Care Complaints Procedure. In total, 88% of the complaints were responded to within the prescribed timescales. The Council identified some learning outcomes from the complaints received and these have been incorporated into changes in service provision.

### Overview and Scrutiny

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 2020/2021 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.

Work has been slightly reduced for all committees due to the pandemic but key areas have been considered by relevant committees in relation to the impact of the Covid-19 pandemic on service areas and resources and through the health overview and scrutiny committee a consideration at the health implications of Covid-19 and specifically mental health and well-being.

## The Impact of the Covid-19 pandemic on Governance Arrangements

The Covid-19 pandemic impacted the Council's service provision, residents, and workforce from February/March 2020, and this continued throughout 2020/2021.

The aim of the Council's response to the pandemic was to mitigate the impact of Covid-19 on residents and businesses of Bedford Borough.

The objectives of the Council were to:

- Minimise disruption to Bedford Borough Council services;
- Minimise the disruption to the local community in Bedford Borough, especially vulnerable members of the community;
- Minimise the risk to Bedford Borough Council employees;
- Engage with partner agencies, locally, regionally and nationally to support the overall response and recovery to this incident;
- Undertake timely and effective communications with the community and all key stakeholders; and
- Enable the recovery of services and the communities of Bedford Borough in the shortest possible time.

Key areas of assistance provided to residents and business included:

- Payment of approximately £52m since March 2020 to businesses in the Borough in the form of £10k grants to small businesses, and £25k grants to businesses in the Retail, Hospitality and Leisure sectors;
- Business Rates relief for the financial year 2020/2021, for businesses in the Retail, Hospitality and Leisure sectors;
- Expansion of the Council Tax Support scheme;
- Establishment of a Community Hub (food shopping, medicine collections and welfare support for self-isolating/vulnerable residents);
- Test & Trace payments;

- Free School Meal vouchers (holiday support);
- Laptops for school children;
- Mutual Aid Payments for Adult Social Care providers
- Infection Control Grant (Social Care settings)
- Covid-19 Compliance & Enforcement grant (Environmental Health)
- Housing of rough sleepers in local hotels as part of the "Everyone In" initiative
- Public Health Outbreak Management Funding
- Culture Recovery Grant

These areas have been subject to governance input by various departments as necessary, via Gold and Silver Command groups; including finance, internal audit, legal and HR; to ensure governance arrangements are maintained, or new arrangements are put in place. A balance has been struck between the urgency of delivery of the aid or service, versus the necessity of due diligence and verification. There will be an inherently higher risk of fraud at such times. Delivery of the aid or service has taken priority, within existing systems of internal control and governance as much as is practically possible; however some targeted post-event audit and assurance has been conducted as described in the Internal Audit section above at page 139.

In terms of the Council's internal control framework the majority of the authorisation controls are electronic/system driven and Covid-19 did not impact on these in a significant way.

Arrangements were made for the conduct of Council meetings using a virtual environment (WebEx) and therefore the Council's decision-making processes have continued to operate. The Council invoked its business continuity arrangements, and, staff who are able to, have worked remotely from 16 March 2020, putting to the test the Council's already well-advanced agile working policy.

## Update on Key Projects

### East West Rail

In March 2019, the Council initially responded to the East West Rail (EWR) consultation on its proposed route through Bedford. The council supported Option E which links to the existing mainline station and the town centre. EWR has recently launched a further consultation on the route through Bedford Borough, and the consultation material is on the EWR website. The Council held two virtual meetings, in May 2021, to hear views from residents and businesses on what they wish to see in the Council's response to the current consultation which ended on 9 June 2021.

### Town Deal

During 2020/2021, the Council and the Town Deal Board developed the Town Investment Plan, and funding of £25m was applied for from the government's £3.6bn Towns Fund for seven key projects: the Station Quarter, Midland Road Regeneration, St Paul's Square Public Realm, Transporting Bedford 2030, Pedestrian and Cycling Infrastructure, Health Science and Digital Skills Centre and Full Fibre Broadband.

On 8 June 2021 government announced that Bedford would receive a Town Deal of £22.6m and the Town Deal Board has been asked to prioritise those projects it wishes to take forward.



### Bedford Green Technology and Innovation Park

The Council has been awarded more than £1.8million from the South East Midlands Enterprise Partnership (SEMLEP), and work began in 2020 at the former landfill site at Elstow to develop it into a green energy innovation park. The park will contain more than 1,800 solar panels, which will generate and supply onsite buildings and local businesses with low carbon, clean energy.

### Project progress during 2020/2021

Projects commenced or continuing during 2020/2021 are:

- Phase 3 of Bedford Commercial Park;
- Transporting Bedford 2020, including the construction of a new footbridge and traffic lights at Manton Lane;
- Town Centre improvement works including Allhallows, Silver Street and the High Street;
- Purchase of properties in St Peters Street, and Rogers Court to be used as temporary homeless accommodation;
- Implementation of new software (LiquidLogic) for recording and managing case information, and for making payments in relation to Adults and Childrens Social Care; and
- Phase 1 of the Brunel Road depot redevelopment.

The Programme Management Office (PMO) monitors key projects. The PMO provides a monthly RAG rated report to the Management Team on the progress of each project and if appropriate recommends corrective action. Feedback is also provided to the Mayor and Finance Portfolio Holder on any project related issues.

During 2020/2021 Internal Audit reviewed projects for Bedford Commercial Park, Temporary Accommodation, works at Allhallows, and the Liquidlogic system migration, which has included a review of project governance arrangements.

Reviews of Transporting Bedford 2020 and the Town Centre works, including Town Deal Accelerator funding, are planned in the 2021/2022 Internal Audit Plan. The £22.6m Town Deal funding will be subject to audit review in future years.



## CIPFA Financial Budget Monitoring Review

The Council is looking to enhance the robustness of budget management processes, to enable more informed resource management decisions. The Council engaged CIPFA in 2019 to work with the Finance Team to develop Budget Manager training focusing on principles and best practice and how this can be put into practice in terms of the Council's Financial Management system. CIPFA delivered some initial training on 'finance for non-finance managers' in early 2020. This was delayed after changing priorities due to the Covid-19 pandemic but resumed in early 2021 and completed in May 2021.

Training for budget managers to complete their own forecasts, developed and delivered by the Finance team, was mandatory for all Budget Holders. Training started in March 2021 and completed in May 2021. The new way of working will enable all Budget Holders to develop and take more responsibility for their own forecasts with support and challenge from Finance, enabling Finance to refocus their time adding value through horizon scanning and strategic planning.

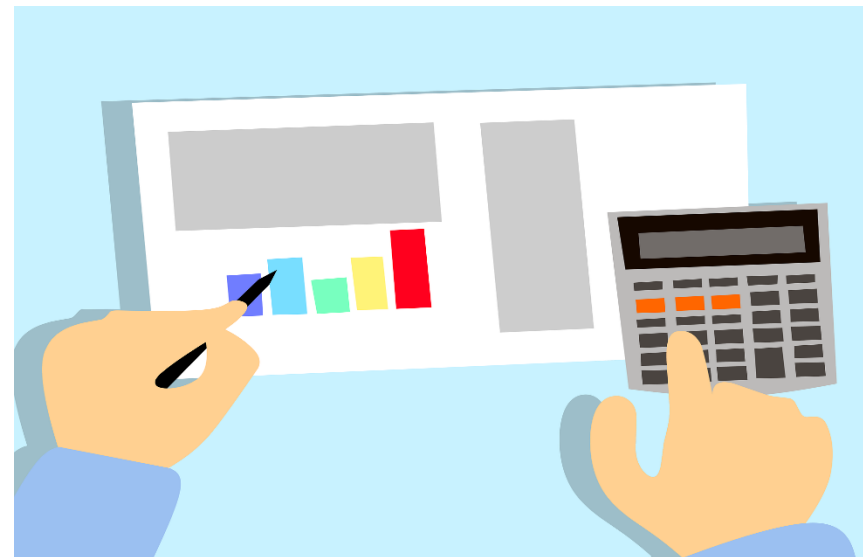
The Council has invested a lot of time in ensuring it is fully compliant with Making Tax Digital, which comes into effect on 1 April 2022. Financial processes now enable information to flow without manual intervention from the initial IT system entry to the financial system, connecting the Council's systems efficiently. This will also reduce error and time.

The changes made the previous year to the Chart of Accounts and to enable all schools to become Fully Funded have embedded well, despite the Covid-19 pandemic, and control has improved.

## CIPFA Financial Management Code

The CIPFA Financial Management Code translates the principles of good financial management into a series of financial standards that comprise leadership and accountability, governance and financial management, medium term financial planning to inform and ensure financial resilience, monitoring financial performance so as to address emerging issues through to financial reporting. Taken together these financial management standards underpin the effective governance of the use and control of resources utilised by the Council in pursuance of its stated objectives.

2020/2021 was a 'shadow' year for the implementation of the FM Code. The Council's existing arrangements are considered to be compliant, in 2020/2021, with the Standards set out in the Financial Management Code. However a full review of compliance will be carried out and evidenced in 2021/2022



## Governance Issues in 2020/2021

### Replacement of the Chief Executive

The incumbent Chief Executive retired in April 2021. The Council made interim arrangements to cover this position, until a permanent appointment could be made. The permanent Chief Executive started in October 2021.

### Senior Management Restructure

Following the approval of the new Senior Management structure at Full Council in March 2021, work is still ongoing to implement the structure, however most changes were implemented with effect from 1 July 2021. It is imperative that the new role of Chief Officer for Legal, HR, and the Monitoring Officer, which is a statutory requirement, and a key role for implementing and monitoring good governance controls, is recruited to without delay.

### Financial Management Code

2020/2021 was a 'shadow' year for the implementation of the FM Code. The Council's existing arrangements are considered to be compliant, in 2020/2021, with the Standards set out in the Financial Management Code. However a full review of compliance will be carried out and evidenced in 2021/2022.

### Contract Monitoring

The Chief Finance Officer has identified that there is a need to enhance contract monitoring in line with Contract Procedure Rules. Over the coming year the Council will enable wider training and support for Managers to enhance contract monitoring.

### Audit Committee Training

Due to Covid-19 no training was provided to new members during 2020/2021 and with the recent changes in the make-up of the Audit Committee, from May 2021, it has been identified that the members would benefit from training on the role of the audit committee, and the skills required. The Council procured in-house training from CIPFA - Introduction to the Knowledge and Skills of the Audit Committee – for the July 2021 Audit Committee meeting.

### 2019/2020 AGS Action Plan update

In the 2019/2020 AGS, five key issues were identified. One of the agreed actions, relating to Brexit risks, was implemented by December 2020. However, four of the actions are ongoing:

- Information management
- Council Constitution review
- Ethics review
- Impact of Covid-19

An update was reported to the March 2021 Audit Committee, and is also included at the Action Plan at page 149 of this statement.



## Governance Conclusion and Action Plan 2020/2021

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. The governance framework has been in place at Bedford Borough Council for the year ended 31 March 2021 and up to the date of approval of the annual statement of accounts. Following the review of the Council's governance arrangements, by the Chief Officer for Internal Audit, five 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:

- Appointment of a permanent Chief Executive;
- implementation of the new Management Structure;
- CIPFA Financial Management Code – full review of compliance to be carried out in 2021/2022;
- wider training and support for Managers to enhance contract monitoring, and
- training for members of the Audit Committee on the role of the committee and members.

Ongoing actions from the 2019/2020 Annual Governance Statement:

- review of Information Management arrangements to assess whether current arrangements are the most effective way to ensure good Information Management;
- review and update of the Council's Constitution, to take into account the Senior Management restructure and to ensure that it is fit for purpose;
- implementation of the recommendations from the Ethics review; and
- continuing to assess the ongoing impact of the Coronavirus pandemic.

The aim is to address these weaknesses during the 2021/2022 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.



## 2020/2021 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

Issue No.	Issue Identified	Comments / Summary of Action Proposed
1	<b>Replacement of the Chief Executive</b> The incumbent Chief Executive retired in April 2021. The Council made interim arrangements to cover this position, until a permanent appointment could be made. Recruitment for a permanent Chief Executive, who is the Head of Paid Service and Returning Officer for Elections, started in July 2021.	The advertisement for the Chief Executive post was released on 13 May, with a closing date of 1 June 2021. A new permanent Chief Executive started in October 2021.  <b>Responsible Officer:</b> Interim Chief Executive <b>Target date: 31 October 2021 IMPLEMENTED</b>
2	<b>Senior Management Restructure</b> Following the approval of the new Senior Management structure at Full Council in March 2021, work is still ongoing to implement the structure, however most changes were implemented with effect from 1 July 2021. It is imperative that the new role of Chief Officer for Legal, HR, and the Monitoring Officer, which is a statutory requirement, and a key role for implementing and monitoring good governance controls, is recruited to without delay.	This will be a continual process as we work together to put these plans in place and implement new ways of working. It will build on the existing work of the transformation programme, recognising the continued tough financial challenge, not least the recent impact of Covid-19. Continuing to provide support and care for our most vulnerable residents and a first-class service for all, remains our priority and this will inform decisions going forward. An Interim Monitoring Officer started in October 2021.  <b>Responsible Officer:</b> Management Team <b>Revised Target date: 31 March 2022 (Interim Arrangements in place)</b>
3	<b>CIPFA Financial Management Code</b> 2020/2021 was a 'shadow' year for the implementation of the FM Code. The Council's existing arrangements are considered to be compliant, in 2020/2021, with the Standards set out in the Financial Management Code. However a full review of compliance will be carried out and evidenced in 2021/2022.	A full review of the Council's compliance with the principles of the CIPFA Financial Management Code will be carried out and evidenced during 2021/2022.  <b>Responsible Officer:</b> Assistant Chief Executive (Finance) & CFO <b>Target date: 31 March 2022</b>

## 2020/2021 ANNUAL GOVERNANCE STATEMENT ACTION PLAN (CONT.)

Issue No.	Issue Identified	Comments / Summary of Action Proposed
4	<p><b>Contract Monitoring</b></p> <p>The Chief Finance Officer and the Enabling team has identified that there is a need to enhance contract monitoring in line with Contract Procedure Rules.</p>	<p>We propose over the coming year to enable wider training and support for Managers to enhance contract monitoring.</p> <p><b>Responsible Officer:</b> Chief Officer for Strategic Commissioning &amp; Procurement  <b>Revised Target date: 31 March 2022</b></p>
5	<p><b>Audit Committee Training</b></p> <p>Due to Covid-19 no training was provided to new members during 2020/2021 and with the recent changes in the make-up of the Audit Committee, from May 2021, it has been identified that the members would benefit from training on the role of the audit committee, and the skills required.</p>	<p>The Council procured in-house training from CIPFA - Introduction to the Knowledge and Skills of the Audit Committee – for the November 2021 Audit Committee meeting.</p> <p><b>Responsible Officer:</b> Assistant Chief Executive (Finance) &amp; CFO  <b>Target date: 30 November 2021 IMPLEMENTED</b></p>

## ONGOING ACTIONS FROM THE 2019/2020 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

Issue No.	Issue Identified	Comments / Summary of Action Proposed
1 (19/20)	<p><b>Information Management</b></p> <p>The provision and structure of the Information Management service is under review following the departure of the Information Governance Officer. Information Management is currently spread through the organisation.</p>	<p><b>On-going</b></p> <p>Due to Covid-19 it was not possible to progress this action within the initial timescale. It is now apparent that in light of the Council's operating model, as reaffirmed by the Executive on 6 January 2021, a review of Information Governance arrangements should be undertaken as part of the detailed service reviews that will be undertaken from Spring 2021.</p> <p><b>Responsible Officer:</b> Chief Officer for Legal and Democratic Services (Monitoring Officer)</p> <p><b>Revised Target date: 31 December 2021 IN PROGRESS</b></p>
2 (19/20)	<p><b>Council Constitution Review</b></p> <p>The Council's Constitution is currently being reviewed and updated, to take into account management restructures and to ensure that it is fit for purpose.</p>	<p><b>On-going</b></p> <p>The Covid situation has led to a delay in the review of the Constitution due to lack of time and resources.</p> <p><b>Responsible Officer:</b> Chief Officer for Legal and Democratic Services (Monitoring Officer)</p> <p><b>Revised Target date: 31 March 2022</b></p>

3 (19/20)	<p><b>Ethics Review</b></p> <p>An Ethics review was undertaken by BDO LLP and a number of recommendations were made including:</p> <ul style="list-style-type: none"> <li>• Reviewing codes of conduct and the protocol between Members and Officers to improve officer/member relationships;</li> <li>• Formally defining organisational values and communicating these to all employees;</li> <li>• Undertaking training on key ethical areas; and</li> <li>• Introducing a staff survey in 2020 as a means of gauging staff attitudes to key ethical and cultural matters.</li> </ul>	<p><b>On-going</b></p> <p>Review of the Member Code of Conduct is in progress and was considered at Standards Committee on 16 March 2021;</p> <p>It had been envisaged that this will form part of the refreshed corporate plan. As members are aware due to Covid-19, this has been put back one year thus it will be dealt with on that timescale;</p> <p>This cannot take place until the Council has decided its Member Code of Conduct (see above), and as such is delayed to Quarter 1 – 2022;</p> <p>The staff Covid-19 survey was carried out in July 2021 and the results were reported to the General Purposes Committee on 27 October 2020. A full staff survey has been carried out and was considered at General Purposes Committee on 14 September 2021.</p> <p><b>Responsible Officer:</b> Chief Executive</p>
5 (19/20)	<p><b>The Impact of Coronavirus (Covid-19)</b></p> <p>The Council implemented a robust response to the Coronavirus pandemic from March 2020, to mitigate the impact of the pandemic on residents and business of Bedford Borough, and to continue to deliver the identified prioritised activities of the Council.</p> <p>However, as the pandemic continues the Council will need to:</p> <ul style="list-style-type: none"> <li>• Move back to business as usual in the delivery of services, and consider the continued funding and logistical consequences of maintaining necessary services;</li> <li>• Consider the impact on future financial resilience; and</li> <li>• Assess the longer term disruption and consequences arising from the continued pandemic.</li> </ul>	<p><b>On-going</b></p> <p>This was managed through the Covid Risk Register, and an issues log, which was reviewed and updated on a regular basis by Management Team and was also considered by the Executive on 25 November 2020.</p> <p>In addition, the Member Officer Gold Group and the Finance Authorisation Board also kept a review of all Covid-19 issues including consideration of the Covid Risk Register.</p> <p><b>Responsible Officer:</b> Management Team</p> <p><b>Target date: 31 March 2022</b></p>

## 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

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Za Informacije

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## 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.

## 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 misstated, 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

To be inserted when external audit is complete.

## **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 2021 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,
- Notes to the Core Financial Statements 1 to 44 and the Expenditure and Funding Analysis on page 18, and
- Collection Fund Statement 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 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Bedford Borough Council as at 31 March 2021 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 2020/21.

### **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**

In auditing the financial statements, we have concluded that 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 appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.



Our responsibilities and the responsibilities of the Assistant Chief Executive (Enabling) and Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the Statement of Accounts 2020/21, 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 contained within the Statement of Accounts 2020/21.

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.

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 course of 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 themselves. 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:

- 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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

## **Responsibility of the Assistant Chief Executive – Enabling & Section 151 Officer**

As explained more fully in the Statement of Responsibilities set out on page 17 the Assistant Chief Executive – Enabling & Section 151 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 2020/21, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Assistant Chief Executive – Enabling & Section 151 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.

#### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- School Standards and Framework Act 1998,
- Local Government and Housing Act 1989 (England and Wales,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Transport Act 2000,

- Education Act 2002 and School Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- National Health Service Act 2006,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety. We understood how Bedford Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and the monitoring officer whether they are aware of instances of non-compliance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risk.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We also assessed whether the judgements made in making accounting estimates are indicative of a potential bias and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Bedford Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2021.

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.

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.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

### **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 2021*