Huntingdonshire
DISTRICT COUNCIL

Statement of Accounts

For the year ended 31 March 2011

Contents

Explanatory foreword	2
Statement of responsibilities	7
Independent Auditor’s Report to the Members of Huntingdonshire District Council	8
Main financial statements	
Movement in reserves statement	12
Comprehensive income and expenditure statement	13
Balance sheet	14
Cash flow statement	15
Notes to the accounts	16
Additional financial statements	
Collection fund	68
Pension fund	71
Glossary	76

Explanatory Foreword

INTRODUCTION

This introduction outlines what is contained in the main financial statements and highlights the financial results for the year ended 31 March 2011.

The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code), supported by International Financial Reporting Standards (IFRS). The publication of this statement is required under the Accounts and Audits Regulations 2011.

The accounts comply with the latest Code which includes some significant changes due to the new requirement to base them on International Financial Reporting Standards (IFRS). In order to aid comparison with the past the Statement of Accounts at March 2009 and 2010 have been restated on this new basis. The material differences between amounts presented in the 2009/10 financial statements and the 2010/11 financial statements have been shown in note 2.

Unfortunately many of the terms that the Code requires us to use in these statements are of a technical nature and are not easily understood by readers and so we have included a number of explanatory notes throughout the booklet and a glossary at the end.

FINANCIAL STATEMENTS

The main financial statements are supported by explanatory notes, including details on the accounting policies adopted by the Council.

Movement in Reserves Statement

This shows the movement during the year in the different reserves held by the Council. These are split between 'usable reserves' (i.e. those that can be applied to fund expenditure and hence reduce the Council Tax level) and other reserves which have been created for specific purposes.

The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. These adjustments are shown in the table in note 8.

The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities set their Council Tax to cover expenditure in accordance with regulations which will normally be different to the accounting cost.

Balance Sheet
The Balance Sheet shows the assets and liabilities of the Council. The net assets of the Council (assets less liabilities) are 'balanced' by the value of reserves held by the Council.

Reserves are reported in two categories. The first is usable reserves, which we 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, a Capital Receipts Reserve can only be used to fund capital expenditure or repay debt). The second includes those reserves that the Council cannot use to provide services. It includes reserves that represent unrealised gains and losses. An example is the Revaluation Reserve where amounts would only become available to provide services if the assets are sold. Others relate to timing differences such as the Accumulating Compensated Absences Adjustment Account.

Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period and how we generate and use them by splitting the cash flows between operating, investing and financing activities.

Net cash flows from operating activities highlights the degree to which the activities of the Council are funded from taxation, grants and service users. Investing activities represent the extent to which the Council have invested in assets which will support future service delivery. Cash flows arising from financing activities relate to receipts and payments from activities including showing the consequences of the Council's borrowing.

FINANCIAL SUMMARY 2010/11

Revenue Spending
The table below shows a simplified combination of the Income and Expenditure Account and the Statement of Movement on the General Fund Balance. It demonstrates the financing of revenue expenditure after having removed the items included in the Comprehensive Income and Expenditure Statement that are required by statute. The Council approved a net expenditure to be funded of £24.9M. At the end of the year spending was £23.5M, an underspend of £1.4M.

Within the Movement in Reserves Statement there is a net decrease in the General Fund Reserves of £3,606k:

- General Reserve Balance of £1,949k
- Earmarked Reserves of £1,657k

With regard to the movement in the General Reserve Balance, this reflects the application of uncommitted reserves to meet the costs of continuing operations of the Council; whereas the movement in the Earmarked Reserves reflects transfers to or from such reserves to meet the cost of changes to services that have previously been planned for. The movement in Earmarked Reserves includes net movements in the Special Reserve and Delayed Projects of £1,364k with the remaining balance being an increase in the revenue backed S.106 reserve of £135k and a net movement in other revenue reserves of £428k.

The reconciliation from the outturn for the year of £23,492k to the deficit of the provision of services in the Comprehensive Income and Expenditure Account is shown in note 13, the amounts reported for revenue budgets funded from council tax and general grants.

2009/10	Revenue Income and Expenditure	2010/11		
Actual		**Budget**	**Outturn**	**Variation**
£000		£000	£000	£000
84,934	**Gross Expenditure**	76,891	74,423	-2,468
-8,188	Statutory adjustments	0	6,716	6,716
76,746		**76,891**	**81,139**	**4,248**
	Income and other items			
-12,866	Fees and charges	-14,614	-15,359	-745
-40,409	Government grants including reimbursement of housing and council tax benefits	-36,809	-41,795	-4,986
-1,521	Investment Income	-620	-750	-130
-557	Trading undertakings surplus (-)/deficit	0	257	257
-55,353		**-52,043**	**-57,647**	**-5,604**
21,393	**Net Expenditure**	**24,848**	**23,492**	**-1,356**
	Funding			
-7,023	Council Tax	-7,274	-7,274	0
-2,358	Revenue support grant	-1,641	-1,641	0
-10,215	Business rates from national pool	-11,299	-11,299	0
-48	Collection Fund Deficit/Surplus (-)	35	35	0
-19,644		**-20,179**	**-20,179**	**0**
-1,749	**Deficit met from reserves**	**-4,669**	**-3,313**	**1,356**
	Revenue Reserves used (-)			
-3,758	General Revenue Reserves	-4,669	-1,949	2,720
1,913	Special Reserve	0	-1,553	-1,553
96	Reserve for delayed projects	0	189	189
-1,749		**-4,669**	**-3,313**	**1,356**

At the start of the year in April 2010 there was a budget deficit of £4.7M which it was planned to fund from reserves. However due to a number of changes in the year we have been able to reduce spending so only £3.3M has been taken from reserves. A major part of this saving is due to service managers recognising the financial issues facing the Council and holding posts vacant wherever possible in order to be ready to deliver targeted savings for the current year. £559k was due to approved projects not happening as quickly as planned due to circumstances beyond our control but this will simply slip to the current year rather than create a real saving. Other savings result from NNDR revaluation appeals (-£219k), reduced net operating costs at One Leisure (-£274k.), concessionary fares (-£152k), vacancies (-£253k), interest (-£130k), recycling gate fees (-£192k), A14 enquiry (-£246k). However income and grants were not achieved in some areas, development management fees (£255k) and general government grants (£255k).

Capital Spending
The original net budget was for £9.8M and assumed that there would be schemes brought forward from 2009/10 of £0.7M. The schemes actually brought forward from 2009/10 were an additional £2.7M. A combination of reductions and delays in the capital programme in 2010/11, mainly as a result of the economic situation, has resulted in a net £5.0M of schemes being either removed or deferred to 2011/12 and beyond.

Capital Spending	2010/11 £000
Environmental Services	698
Industrial and Economic Development	1,297
Parks and Countryside	528
Leisure Centres	2,901
Community Grants	20
Housing	1,945
Highways and Transportation	971
Vehicles and Plant	235
Office accommodation	278
IT	532
Other	152
Gross	**9,557**
Less external contributions and capital grants	-2,036
Net	**7,521**
Funded from	
Capital Reserves (capital receipts)	252
Borrowing	7,269

Reserves
Total useable reserves at 31 March 2011 are £19.0M, of which £4.5M have been earmarked for specific purposes. The remainder relates to Capital Grants unapplied of £0.6M and the General Fund Balance of £13.9M.

The Council's financial forecast for 2011/12 and four year forward plan was produced in February 2011 and it plans for revenue reserves to fall to £3M (our current estimate of the minimum level required) by 31 March 2016.

Pension Fund
The Council is an admitted body to the Local Government Pension Scheme, administered by Cambridgeshire County Council. The pension fund's actuary reviews the adequacy of the fund to meet future liabilities each year and undertakes a full revaluation every three years; the most recent was as at 31 March 2010. The actuarial valuation for reporting the fund as at 31 March 2011 identified a deficit of £41.4M which is a substantial reduction of £26.6M from the deficit as at 31 March 2010.

This is mainly due to the actuary, in line with a Government Statement in June 2010, basing future pension increases on the consumer prices index (CPI) rather than the retail prices index (RPI); this affects future benefits and is treated as a past service credit.

The changes result in £14.4M being credited to the Comprehensive Income and Expenditure Statement as an exceptional item. There is no impact on the General Fund.

Although this deficit represents the sum that would have to be added to meet forecast claims on the fund it is recognised that the process for resolving such deficits is to make extra contributions over a number of years.

CONCLUSION

A combination of lower spending and higher income in some areas in 2010/11 has enabled £1.4M less than planned at the start of the year to be withdrawn from balances. This reflects management recognition of the financial challenges facing the Council and concerted attempts to achieve savings.

The Medium Term Plan and Financial Forecast to 2024/25 identifies further savings that will be required; specifically a further £2M needs to be identified by 2015/16 to ensure a balanced budget as reserves are depleted. The saving in 2010/11 provides extra flexibility if difficulties or delays emerge.

Terry Parker
Managing Director, Resources

Date 11/7/12

Statement of Accounts approved by the Corporate Governance Panel

Eric R. Butler

Chairman: Cllr E R Butler

Date 11/7/12

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Managing Director, Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the Managing Director, Resources

The Managing Director, Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the Managing Director, Resources has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Managing Director, Resources has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011

Terry Parker
Managing Director, Resources
Date
11/7/12

Independent auditor's report to the Members of Huntingdonshire District Council

We have audited the financial statements of Huntingdonshire District Council for the year ended 31 March 2011 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the Collection Fund, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom supported by the Best Value Accounting Code of Practice 2010/11.

Respective responsibilities of the Chief Financial Officer and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for Huntingdonshire District Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2011 and of the Authority income and expenditure and cash flows for the year then ended; and

- have been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Ciaran Mclaughlin
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
Cambridge

Date: 13 July 2012

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

Authority's responsibilities

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

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

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

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Basis for qualified conclusion

In considering the Authority's arrangements for securing financial resilience, we identified that the Authority has significant weaknesses in ensuring reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people as it has not been able to produce a set of financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting to the statutory timetable.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, except for the matter reported in the **'B**asis for qualified conclusion' above we are satisfied that, in all significant respects, Huntingdonshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

We have not yet completed all required work in order to issue the certificate for the audit of the Authority accounts of Huntingdonshire District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission as we have not been able to complete our work on the Council's Whole of Government Accounts return. We will issue the audit certificate once all work has been completed.

Ciaran Mclaughlin
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Cambridge

Date: 13 July 2012.

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	Unusable Reserves	TOTAL AUTHORITY RESERVES
	£000	£000	£000	£000	£000	£000	£000
		Note 9		Note 14		Note 27	
BALANCE AT 31 MARCH 2009	19,589	3,987	74	192	**23,842**	40,898	**64,740**
Movement in reserves during 2009/10							
Deficit on provision of services	-8,637	0	0	0	**-8,637**	0	**-8,637**
Other comprehensive income and expenditure	0	0	0	0	**0**	-38,111	**-38,111**
Total comprehensive income and expenditure	**-8,637**	**0**	**0**	**0**	**-8,637**	**-38,111**	**-46,748**
Adjustments between accounting basis and funding basis under regulations (Note 8)	7,029	0	-72	92	**7,049**	-7,049	**0**
Net increase/decrease(-) before transfers to earmarked reserves	**-1,608**	**0**	**-72**	**92**	**-1,588**	**-45,160**	**-46,748**
Transfers to/from earmarked reserves (note 9)	-2,150	2,150	0	0	**0**	0	**0**
BALANCE AT 31 MARCH 2010 C/F	**15,831**	**6,137**	**2**	**284**	**22,254**	**-4,262**	**17,992**
Movement in reserves during 2010/11							
Surplus on provision of services	3,534	0	0	0	**3,534**	0	3,534
Other comprehensive income and expenditure	0	0	0	0	**0**	15,032	15,032
Total comprehensive income and expenditure	**3,534**	**0**	**0**	**0**	**3,534**	**15,032**	**18,566**
Adjustments between accounting basis and funding basis under regulations (Note 8)	-6,825	0	0	310	**-6,515**	6,515	**0**
Net increase/decrease (-) before transfers to earmarked reserves	**-3,291**	**0**	**0**	**310**	**-2,981**	**21,547**	**18,566**
Transfers to/from earmarked reserves (note 9)	1,342	-1,657	0	0	**-315**	315	**0**
Increase/Decrease (-) in Year	**-1,949**	**-1,657**	**0**	**310**	**-3,296**	**21,862**	**18,566**
BALANCE AT 31 MARCH 2011 C/F	**13,882**	**4,480**	**2**	**594**	**18,958**	**17,600**	**36,558**

Comprehensive Income and Expenditure Statement

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
12,000	-6,033	5,967	Cultural and Recreational Services	12,722	-7,036	5,686
7,766	-1,265	6,501	Environmental Services	8,098	-1,719	6,379
3,123	-128	2,995	Refuse Collection	3,347	-154	3,193
7,066	-3,099	3,967	Planning Services	6,404	-2,997	3,407
35,941	-31,241	4,700	Housing Services	38,727	-33,472	5,255
3,123	-1,912	1,211	Highways and Transport Services	2,942	-2,059	883
8,193	-7,794	399	Council Tax Benefits	8,536	-8,299	237
1,754	-486	1,268	Local Taxation Collection	1,561	-581	980
659	-283	376	Other Central Services	659	-252	407
4,917	-630	4,287	Corporate and Democratic Core	3,970	-584	3,386
392	-923	-531	Non-Distributed Costs	1,826	-1	1,825
0	0	0	Exceptional item #	-14,369	0	-14,369
84,934	**-53,794**	**31,140**	**Cost of Services** (note 13)	**74,423**	**-57,154**	**17,269**
3,938	-634	3,304	Other Operating Expenditure (Note 10)	4,190	-220	3,970
3,203	-3,610	-407	Financing and Investment Income and Expenditure (Note 11)	2,902	-1,802	1,100
0	-25,400	-25,400	Taxation and Non-specific Grant Income (Note 12)	35	-25,908	-25,873
92,075	-83,438	**8,637**	**Surplus (-)/Deficit on provision of services**	81,550	-85,084	**-3,534**
		735	Surplus (-) or deficit in the revaluation of non-current assets			-906
		37,445	Actuarial losses/gains (-) on pension assets and liabilities			-14,126
		-69	Other movements on reserves			0
		38,111	**Other comprehensive income and expenditure**			**-15,032**
		46,748	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**-18,566**

The exceptional item is the credit to the Comprehensive Income and Expenditure Statement for pension costs; the majority of the credit is past service gain (£14.4M); the detail is shown in the Pension Fund disclosures, note 5.

Balance Sheet

01 April 2009	31 March 2010		Notes	31 March 2011
£000	£000			£000
52,058	54,855	Property, Plant and Equipment	15	55,764
16,942	18,093	Investment Property	16	19,227
1,891	1,817	Intangible Assets	17	1,597
15,238	10,570	Long Term Investments	19	11,013
1,250	1,442	Long Term Debtors	19	1,509
87,379	**86,777**	**Long Term Assets**		**89,110**
27,925	10,124	Short Term Investments	19	5,007
107	189	Inventories	20	207
6,945	12,494	Short Term Debtors	21	5,644
0	87	Cash and Cash Equivalents	22	0
0	0	Assets held for sale	25	250
34,977	**22,894**	**Current Assets**		**11,108**
-1,192	0	Cash and Cash Equivalents	22	-203
-6,110	-4,710	Short Term Borrowing	19	-3,211
-9,885	-8,146	Short Term Creditors	23	-8,074
-17,187	**-12,856**	**Current Liabilities**		**-11,488**
-10,000	-10,000	Long Term Borrowing	19	-10,000
-30,429	-68,823	Other Long Term Liabilities	24	-42,172
-40,429	**-78,823**	**Long Term Liabilities**		**-52,172**
64,740	**17,992**	**Net Assets**		**36,558**
23,842	22,254	Usable Reserves	26	18,958
40,898	-4,262	Unusable Reserves	27	17,600
64,740	**17,992**	**Total Reserves**		**36,558**

Cash Flow Statement

2009/10 £000		2010/11 £000
-8,637	Net surplus/deficit (-)on the provision of services	3,534
5,299	Adjustments to net surplus or deficit on the provision of services for non cash movements	-7,324
10,367	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-802
7,029	Net cash flows from Operating Activities (Note 30)	**-4,592**
-6,281	Investing Activities (Note 31)	1,310
531	Financing Activities (Note 32)	2,992
1,279	Net increase or decrease (-) in cash and cash equivalents	**-290**
-1,192	Cash and cash equivalents at the beginning of the reporting period	87
87	**Cash and cash equivalents at the end of the reporting period (Note 22)**	**-203**

Notes to the Accounts

1. Accounting policies
2. Transition to IFRS
3. Accounting standards that have been issued but not yet adopted
4. Critical judgements in applying accounting policies
5. Assumptions about the future and other major sources of estimation uncertainty
6. Material items of income and expenditure
7. Events after the balance sheet date
8. Adjustments between accounting basis and funding basis under regulations
9. Earmarked reserves
10. Comprehensive income and expenditure – Other operating expenditure
11. Comprehensive income and expenditure – Financing and investment income and expenditure
12. Comprehensive income and expenditure – Taxation and non-specific grant income
13. Amounts reported for revenue budgets funded from council tax and general grants
14. Grant income
15. Property, plant and equipment
16. Investment property
17. Intangible assets
18. Capital expenditure and capital financing
19. Financial instruments
20. Inventories
21. Debtors
22. Cash and cash equivalents
23. Short-term creditors
24. Long-term liabilities
25. Assets held for sale
26. Usable reserves
27. Unusable reserves
28. Leases
29. Impairment losses
30. Cash flow statement – Operating activities
31. Cash flow statement - Investing activities
32. Cash flow statement - Financing activities
33. Trading operations
34. Related parties
35. Members' allowances
36. Officers' remuneration
37. External audit costs
38. Termination benefits
39. Contingent assets
40. Contingent liabilities
41. Risks arising from financial instruments

1. Accounting Policies 2010/11

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- accrual of income and expenditure – placing items in the year they relate to rather than the year they take place
- primacy of legislative requirements – legislation overrides standard accounting practice.

The concepts of consistency and prudence are also followed where they do not conflict with the application of these underlying concepts. The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.

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.

1.2 Accruals of Income and Expenditure

Income and expenditure is accounted for in the year to which they relate, not simply when cash payments are made or received, by the creation of debtors and creditors which are recorded in the balance sheet. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g., in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services provided or the Council incurs expenses directly on its own behalf in providing the services.

1.3 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 three months or less from the investment date and that are readily convertible to 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.

1.4 Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors

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, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. The 2010/11 Statement of Accounts reflect a change to accounting polices due to the requirement to adopt International Financial Reporting Standards and therefore opening balances and comparative amounts have been restated.

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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Depreciation and other 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 property, plant and equipment 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 (annual charge) of intangible assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue, minimum revenue provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.

MRP – the basis for this provision is restricted by legislation and the policy has to be approved by the Council. The policy for 2010/11 is that MRP is on an annuity basis. This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is "notionally" repaid. The net result is a consistent charge to the Council's accounts over the assumed life of the asset.

1.6 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees provide services to the Council.

An accrual is made against services in the Comprehensive Income and Expenditure Statement for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. Any accrual made is required under statute to be reversed out of the General Fund Balance by an adjustment to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement. Thus there is no impact on the council tax.

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.

They are charged to the non-distributed costs line in the Comprehensive Income and Expenditure Account when the Council can demonstrate that it is committed to either terminating the employment of an officer or has made an offer of voluntary redundancy even if the officer has not left the Council by the 31st March.

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

Post Employment Benefits (Pensions)

Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

- The liabilities of the LGPS 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary).
- The assets of the Cambridgeshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

- The change in the net pensions liability is analysed into seven components:

    - *current service cost* – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - *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 Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - *interest cost* – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - *expected return on assets* – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - *gains or 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - *actuarial gains and losses* – changes in the net 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 Pensions Reserve.
    - *contributions paid to the Cambridgeshire Pension Fund* – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than 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 any such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The 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 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.

1.7 Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

1.8 Exceptional Items

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

1.9 Financial Assets

Loans and receivables

Financial assets that are applicable to the Council are loans and receivables which are assets with a fixed or determinable payment but not quoted in an active market (e.g. trade debtors, fixed term investments). Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. The Council has the following loans and receivables:

Debtors

Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end, taking into account the nature, value and age of debts and historic losses for similar groups of assets. Bad debts are written off when they are identified.

Debtors falling due after more than one year are classified as long-term debtors, which includes housing improvement loans and housing advances. The charge for these services is to the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Cash and equivalents

Cash and equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

Investments

The Council has both long and short-term investments with various financial institutions. Investments are carried at their amortised cost. The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date.

The Council has made loans for home improvement which are interest-free (soft loans). When these soft loans are made, a loss is recorded in the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement 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. Statutory provisions require that the impact of soft loans in the Comprehensive Income and Expenditure Statement is managed by a transfer to the Financial Instruments Adjustment Account. It is included in the 'Adjustment between accounting basis and funding basis under regulation' line in the Movement in Reserves Statement.

1.10 Financial Liabilities

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

Creditors
Creditors are carried at their original invoice amount.

Bank overdrafts
Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand.

Short-term borrowing
Loans of less than 1 year and carried at amortised cost.

Long-term loan
Loans with the Public Works Loans Board are carried at their amortised cost but with the fair value disclosed as a note.

Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

1.11 Government Grants and Contributions

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 credited to the Comprehensive Income and Expenditure Statement if the conditions attaching to the grant or contribution have been met. However if the conditions require that the grant or contribution is returned where these conditions are not met, it cannot be credited to the Comprehensive Income and Expenditure Statement.

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

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

The Council receives monies from developers, S106 monies, which are credited to the Comprehensive Income and Expenditure Statement and transferred to an earmarked fund. The condition for these contributions is that they are returnable 10 years after receipt if they are not used. It is considered that 10 years is too far into the future to be treated as receipts in advance.

1.12 Intangible Assets

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

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. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves

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

1.13 Interest Receipts

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest earned on the S106 reserve (one of the earmarked reserves) which is credited to that reserve. Interest receipts are included in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

1.14 Inventories

The Council has a number of small inventories. These are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the latest price.

1.15 Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s-length. Properties are not depreciated and are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income and Expenditure 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 and are reversed out of the General Fund Balance in the in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater that £10,000, the Capital Receipts Reserve.

1.16 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 and investment properties held under finance leases are 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. 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 and equipment, applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the 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, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

In practice the Council has finance leases in respect of rentals for industrial units and leases for certain items of equipment.

Operating leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

<u>The Council as Lessor</u>

Finance leases
Where the Council grants a finance lease over a property, 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 is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term) debtor 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, and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial year, 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 this capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off values of disposals are 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.

Operating leases
Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

1.17 Overheads and Support Services

The costs of overheads and support services are charged to services on the basis of use in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010 (BVACOP).* The basis of the charge varies according to the nature of the support service provided (e.g. administrative buildings are apportioned on the basis of area occupied).The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – for example the cost of discretionary benefits awarded to employees retiring early and redundancy payments.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

The cost of overheads relating to staff time spent on capital projects is treated as a revenue charge to the service rather than a charge to the capital project.

1.18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision 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 on an accruals basis, provided that it is probable that the future economic benefits 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. In respect of the recognition of capital, a de minimis level of £10,000 is applied; consequently expenditure on PPE less than this level is accounted for as revenue.

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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement,

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

- infrastructure, and assets under construction – depreciated historical cost
- community assets – historic cost
- all other assets – fair value equated to market value.

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

Assets included in the balance sheet at fair value are revalued regularly to ensure that their carrying value is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account. Thus there is no impact on the council tax.

Where decreases in value are identified, the revaluation loss is 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); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Components

The Council will separately account for components where the cost of the component is significant in relation to the overall total cost of the asset, and the useful economic life of the component is significantly different from the useful economic life of the asset. Individual components with similar useful lives and depreciation methods will be grouped.

For this purpose a significant component cost would be 10% of the overall total cost of the asset but with a de-minimus component threshold of £100,000.

This policy has been applied prospectively when non-current assets have been revalued. The only assets that have been split into components in the 2010/11 accounts are offices and leisure centres.

The impact is that some components have a useful life of between 15 and 35 years, which in some instances is different to the useful life of the main building and therefore the depreciation charge varies from that based on the same useful life for the whole asset.

Impairment

Impairment is where an asset has lost value. 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 there 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); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment 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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocating the value of the asset over their useful lives. An exception is made for assets where the finite useful life cannot be determined, (i.e. land and Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- operational buildings – straight-line allocation over 50 years (unless there is evidence to the contrary).
- vehicles – 25% reducing balance.
- plant, furniture and equipment – straight line basis.
- infrastructure – variable depending on the asset to a maximum of 40 years.

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

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

The residual value of the assets is reviewed at least every five years and the depreciation adjusted to match any change in the life of the asset.

1.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

As at the balance sheet date there are no provisions.

Contingent Liabilities

A contingent liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated, the liability is disclosed in a contingent liability as a note to the accounts. 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 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.

1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement; they are included in the balance sheet as the General Fund Balance, Capital Reserve, Earmarked Reserves and Capital Grants Unapplied.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

However, there are other reserves that cannot be used to finance expenditure:

- Capital Adjustment Account – these are capital resources set aside to meet past expenditure.
- Revaluation Reserve – the gains of valuation of assets not yet realised by sales.
- Financial Instruments Adjustment Account – balancing account to allow for differences in statutory requirements and accounting requirements for borrowings and investments.
- Collection Fund Adjustment Account – holds the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- Pensions Reserve – balancing account to allow the pensions liability to be included in the balance sheet.
- Accumulated Compensated Absences Adjustment Account – the value of untaken leave and other employee benefits.

1.21 Revenue Expenditure funded from Capital under Statute

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of property, plant and equipment. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, amounts charged are reversed out of the General Fund Balance in the in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.22 Value Added Tax (VAT)

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

2. Restatement of the Financial Statements

a) Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The balance sheet as at 1 April 2009 has been re-stated on IFRS basis as well as the balance sheet as at 1 April 2010.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay and accrued flexitime.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees provide service that increases their entitlement to future annual leave and flexi days. As a result, the Council is required to accrue for any annual leave earned but not take at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits and so there is no impact on council tax. Therefore the cost is offset by an entry in the Accumulating Compensated Absences Adjustment Account which is part of Unusable Reserves.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	Original 2008/09 Statements £000	**Adjustments made £000**
Creditors	0	-335
Short-term accumulating compensated absences account	0	335

1 April 2010 Balance Sheet

	Original 2009/10 Statements £000	**Adjustments made £000**
Increase in Creditors	0	-354
Short-term accumulating compensated absences account	0	354

The cost of accrued annual leave and flexi-leave is charged to services pro rata to the staff costs allocated to the services.

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council, as lessee, has two property leases where the accounting treatment has changed following the introduction of the Code. The Council leases the land for the Sainsbury's car park, Huntingdon. The lease was previously classified as a finance lease, but under the Code because it is land (and is deemed to have an indefinite life), it has been classified as an operating lease.

As a consequence its value has been taken out of Property, Plant and Equipment and the Capital Adjustment Account and Revaluation Reserve amended. No depreciation has been charged in previous years and so there is no adjustment needed to the Net Cost of Services.

Opening 1 April 2009 Balance Sheet:

	Original 2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment	354	-354
Capital Adjustment Account	-130	130
Revaluation Reserve	-224	224

31 March 2010 Balance Sheet:

	Original 2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment	354	-354
Capital Adjustment Account	-130	130
Revaluation Reserve	-224	224

The second change affects Phoenix Court and Highlode Industrial Units which the Council leases and then on-leases to tenants. Previously the valuation of the properties was based on the Council's net position which, being less than £10k, was de minimis and so not included in Property, Plant and Equipment. IFRS treats the leases to the Council as finance leases which means that the net position has to be disaggregated with the gross value in the lease assessed as £1,691k.

As a consequence of classifying the lease as a finance lease, the financial statements have been amended as follows:

- The Council has recognised an asset (the building) and a finance lease liability.
- The operating lease charge within Investment Properties has been reduced by the amount that relates to the buildings element of the lease payments and is an adjustment to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.
- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:

	Original 2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment (leased assets)	0	1,691
Other Long-Term Liabilities (finance lease liability)	0	-573
Capital Adjustment Account	0	-1,118

31 March 2010 Balance Sheet:

	Original 2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment (leased assets)	0	1,659
Other Long-Term Liabilities (finance lease liability)	0	-535
Short-term liability	0	-14
Capital Adjustment Account	0	-1,110

<u>Government Grants</u>

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- A capital grant of £92k for housing schemes was received from the Government in 2009/10 but not used in the year although it has been used subsequently. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:

	Original 2009/10 Statements £000	Adjustments made £000
Government Grants Deferred Account	-1,050	1,050
Capital Adjustment Account	1,050	-1 050

31 March 2010 Balance Sheet:

	Original 2009/10 Statements £000	Adjustments made £000
Government Grants Deferred Account	-2,616	2,616
Capital Adjustment Account	2,616	-2,616

b) Material Adjustment not related to IFRS

The Council owns five leisure centres which when they were initially built Cambridgeshire County Council contributed to the cost of the buildings and if they were ever sold, the sale proceeds could be split between the Council and the County in proportion to the contributions each has made over the years. The value in property plant and equipment has been reduced to reflect this fact:

	1 April 2009 £000	Adjustments made £000	1 April 2009 New value £000	1 April 2010 £000	Adjustments made £000 £000	1 April 2010 New value £000
Leisure centres included in plant property and equipment	15,169	-1,331	13,838	18,753	-2,141	16,612

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

The Council has not adopted FRS 30, Heritage Assets, but they will be recognised as a separate class of assets for the first time in the 2011/12 financial statements. The Council has only identified one asset as being heritage assets under the definition of the standard. This is a the Norman Cross Memorial Eagle 1914 which has an insurance value of £65k.

The valuation list of heritage assets for insurance purposes has been reviewed, but there are no other heritage assets that are material to the accounts.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is that, although there is some uncertainty about future levels of funding for local government, the Council has decided that this uncertainty is not sufficient to result in the impairment of assets if they are not needed for service provision.

5. 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 Council about the future or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

The items in the Council's Balance Sheet at 31 March 2011 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £710k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. • For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 10% or £12,083k. • A 1 year increase in life expectancy would result in an increase in pension liability of 3% or £3,707k. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 2% or £2,875k • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 7% or £8,644k
Arrears	At 31 March 2011, the Council had a balance of sundry debtors for £984k. The provision for uncollectable debts for 2010/11 is £339k. A provision has been made in future years' budgets to increase this level. However, in the current economic climate it is not certain that the budget would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the provision for doubtful debts would require an additional £69k to be set aside as an allowance.

6. Material Items of Income and Expenditure

Negative Past Service Cost. In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council’s liabilities in the LGPS by £14,126k and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. This credit has been included within non-distributed costs on the face of the Comprehensive Income and Expenditure Statement. There is no impact upon the General Fund.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Managing Director, Resources on 18 April 2012. Events taking place after this date are not reflected in the financial statements or notes.

Between 31 March 2011 and this date there has been one event that affects the accounts. This relates to a Supreme Court decision that MMI are responsible for the payment of an insurance claim relating to an agreed negligence claim from an ex-employee. The accounts assumed that one of two insurance companies would be liable so the only impact is the removal of the reference to a contingent liability in the event of neither company being held liable.

8. Adjustments between accounting basis and funding basis under regulations

This note explains the items included in or excluded from the total Comprehensive Income and Expenditure Statement that are required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance or other reserve.

2010/11

	Useable Reserves			
	General Fund balance	Capital receipts reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	-3,027	0	0	3,027
Losses on non-current assets charged to the Comprehensive Income and Expenditure Statement:	-1,484	0	0	1,484
Amortisation of intangible fixed assets	-558	0	0	558
Fair value of investment properties	-227	0	0	227
Net revenue expenditure funded from capital under statute	-2,229	0	0	2,229
Carrying amount of non-current assets sold	-33	0	0	33
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	236	0	0	-236
Adjustments involving the Capital Receipts Reserve:				
Proceeds from sale of non current assets	253	-253	0	0
Use of Capital Receipts Reserve to fund capital expenditure	0	251	0	-251
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-2	2	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-8	0	0	8
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 5 of Pension Fund)	8,743	0	0	-8,743
Employer's pensions contributions and direct payments to pensioners payable in the year	3,741	0	0	-3,741
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	105	0	0	-105
Adjustments involving the Capital Grants Unapplied Account:				
Net capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	1,306	0	-419	-887
Unapplied grants to fund capital expenditure	0	0	109	-109
Adjustment involving the Accumulated Compensated Absences Adjustment Account:				
Adjustments in relation to short-term compensated absences	9	0	0	-9
Total Adjustments	**6,825**	**0**	**-310**	**-6,515**

2009/10 Comparative Figures

	Useable Reserves			
	General Fund balance	Capital receipts reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	-2,852	0	0	2,852
Losses on non-current assets charged to the Comprehensive Income and Expenditure Statement:	-4,417	0	0	4,417
Amortisation of intangible fixed assets	-749	0	0	749
Fair value of investment properties	1,183	0	0	-1,183
Revenue expenditure funded from capital under statute	-1,428	0	0	1,428
Capital grants and contributions applied	1,566	0	0	-1,566
Carrying amount of non-current assets sold	-189	0	0	189
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	3	0	0	-3
Capital expenditure charged to the General Fund	-86	0	0	86
Other adjustments	-83	0	0	83
Adjustments involving the Capital Receipts Reserve:				
Proceeds from sale of non current assets	823	-823	0	0
Use of the capital receipts reserve to finance capital expenditure	0	892	0	-892
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-3	3	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	15	0	0	-15
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 5 of Pension Fund)	-4,263	0	0	4,263
Employer's pensions contributions and direct payments to pensioners payable in the year	3,377	0	0	-3,377
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1	0	0	-1
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	92	0	-92	0
Adjustment involving the Accumulated Compensated Absences Adjustment Account:				
Adjustments in relation to short-term compensated absences	-19	0	0	19
Total Adjustments	**-7,029**	**72**	**-92**	**7,049**

9. 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 transferred back from earmarked reserves to meet General Fund and capital expenditure.

The Section 106 Agreements Reserve contains payments made by developers to meet their planning approval obligation to fund, or contribute to the funding, of infrastructure and community requirements. As a relevant project is completed it is funded in all or part from this reserve. The Section 106 Commuted Payments Reserve represents payments made by developers to meet their planning approval obligation to fund, or contribute to the funding, of the maintenance of specified assets for a set period of years. As relevant maintenance costs are incurred, funding is transferred from the reserve.

The Repairs and Renewals Funds have been established to even out the spending on large maintenance items. The services contribute an annual sum and the funds are used to pay for one-off repair or renewal items.

The Delayed Projects Reserve is to fund items that were included in the budget for one year but will not be spent until the following year.

The Special Reserve is to fund expenditure that will result in revenue savings in the future. The £1,553k used in 2010/11 funded redundancy costs and associated pension contributions.

The most significant items in “Other reserves” are the building control reserve (£93k), home improvement agency reserve (£118k) and the Housing Association footpaths reserve (£39k).

	Balance 1.4.09	**Transfers in 2009/10**	**Transfers out 2009/10**	**Balance 31.3.10**	**Transfers in 2010/11**	**Transfers out 2010/11**	**Balance 31.3.11**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Earmarked reserves:							
S106 agreements	-1,154	-163	66	-1,251	-450	315	-1,386
Commuted S106 payments reserve	-1,199	-43	103	-1,139	-1	116	-1,024
Repairs and renewals funds	-1,065	-139	24	-1,180	-271	572	-879
Delayed projects reserve	-274	-96	0	-370	-559	370	-559
Special reserve	0	-1,913	0	-1,913	0	1,553	-360
Other reserves	-272	-12	0	-284	-29	41	-272
Collection Fund	-23	0	23	0	0	0	0
Total	**-3,987**	**-2,366**	**216**	**-6,137**	**-1,310**	**2,967**	**-4,480**

10. Other operating expenditure included in the Comprehensive Income and Expenditure Account

	2010/11 £000	2009/10 £000
Parish Council precepts	4,188	3,915
Payments to the Government housing capital receipts pool	2	23
Gains/losses on the disposal of non current assets	-220	-634
Total	**3,970**	**3,304**

11. Financing and Investment Income and Expenditure included in the Comprehensive Income and Expenditure Account

	2010/11 £000	2009/10 £000
Interest payable and similar charges	448	476
Pensions interest cost and expected return on pensions assets	1,885	2,352
Interest receivable	-750	-1,521
Income and expenditure in relation to investment properties and changes in their fair value	-478	-1,668
Other investment income from trading operations	-5	-46
Total	**1,100**	**-407**

12. Taxation and Non Specific Grant Income included in the Comprehensive Income and Expenditure Account

	2010/11 £000	2009/10 £000
Council tax income	-11,532	-10,986
Non domestic rates	-11,299	-10,215
Non-ringfenced government grants	-1,736	-2,541
Capital grants	-1,306	-1,658
Total	**-25,873**	**-25,400**

13. Amounts Reported for Revenue Budgets funded from Council Tax and General Grants

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across services in a bespoke manner that best fits the Council's needs. These reports are prepared on a different basis from the basis used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the

Revaluation Reserve and amortisations are charged to the services in the Comprehensive Income and Expenditure Statement);

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The following statements reconcile the revenue expenditure by service as reported to Members and Chief Officers, with that in the comprehensive income and expenditure account. The analysis by service is reported to Members three times a year – budget (February), forecast outturn (the following February) and actual net expenditure (July).

The income and expenditure of the main services is as follows:

2010/11	**Environ-mental Services**	**Community Services**	**Housing Services**	**Corporate Services**	**Direct costs recharged to services**	**Other expenditure**	**TOTAL**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other income	-1,499	-6,606	-1,260	-681	-236	-6,657	-16,939
Government grants	0	-78	-32,320	-8,778	-29	-590	-41,795
Total income	**-1,499**	**-6,684**	**-33,580**	**-9,459**	**-265**	**-7,247**	**-58,734**
Employee expenses	2,817	5,389	180	2,194	17,317	705	28,602
Other service expenses	2,928	9,470	34,219	9,142	4,227	-5,024	54,962
Support service recharges	3,835	3,423	3,905	4,581	9,436	5,530	30,710
Total operating expenses	**9,580**	**18,282**	**38,304**	**15,917**	**30,980**	**1,211**	**114,274**
Recharges to other accounts	-134	-1	27	7	-30,682	-1,265	-32,048
Net expenditure	**7,947**	**11,597**	**4,751**	**6,465**	**33**	**-7,301**	**23,492**

2009/10 Comparative figures	**Environ-mental Services**	**Community Services**	**Housing Services**	**Corporate Services**	**Direct costs recharged to services**	**Other expenditure**	**TOTAL**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other income	-1,297	-6,435	-902	-676	-304	-7,602	-17,216
Government grants	0	-79	-30,640	-8,184	0	-1,285	-40,188
Total income	**-1,297**	**-6,514**	**-31,542**	**-8,860**	**-304**	**-8,887**	**-57,404**
Employee expenses	2,779	5,213	169	713	17,050	755	26,679
Other service expenses	2,950	4,915	31,610	8,759	4,500	1,155	53,889
Support service recharges	3,544	3,003	3,377	4,180	7,571	5,260	26,935
Total operating expenses	**9,273**	**13,131**	**35,156**	**13,652**	**29,121**	**7,170**	**107,503**
Recharges to other accounts	**-133**			**-55**	**-28,797**	**279**	**-28,706**
Net expenditure	**7,843**	**6,617**	**3,614**	**4,737**	**20**	**-1,438**	**21,393**

Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/10 £000		2010/11 £000
21,393	**Net expenditure in service analysis**	**23,492**
-2,478	Amounts in the Comprehensive Income and Expenditure Statement not included in the service analysis of revenue expenditure for budget monitoring	-14,359
12,225	Amounts included in the service analysis of revenue expenditure and reported to management, but not included in net cost of services section of the Comprehensive Income and Expenditure Statement	8,136
31,140	**Net cost of services in Comprehensive Income and Expenditure Account**	**17,269**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	**Service Analysis £000**	**Not reported to management £000**	**Not included in cost of services £000**	**Net cost of services £000**	**Corporate amounts £000**	**TOTAL £000**
Fees, charges and other income	-16,939	-257	1,052	**-16,144**	-1,053	**-17,197**
Interest and investment income	0	0	750	**750**	-750	**0**
Income from council tax	0	0	0	**0**	-11,532	**-11,532**
Government grants and contributions	-41,795	0	0	**-41,795**	-14,340	**-56,135**
Total income	**-58,734**	**-257**	**1,802**	**-57,189**	**-27,675**	**-84,864**
Employee expenses	28,602	-14,378	0	**14,224**	1,885	**16,109**
Other operating expenses	54,962	276	-1,301	**53,937**	569	**54,506**
Support service recharges	30,710	0	0	**30,710**	0	**30,710**
Recharges to other accounts	-32,048	0	0	**-32,048**	0	**-32,048**
Depreciation and impairment	0	0	8,049	**8,049**	0	**8,049**
Interest payments	0	0	-414	**-414**	448	**34**
Precepts and levies	0	0	0	**0**	4,188	**4,188**
Payments to housing capital receipts pool	0	0	0	**0**	2	**2**
Gain or loss on disposal of property, plant and equipment	0	0	0	**0**	-220	**-220**
Total operating expenses	**82,226**	**-14,102**	**6,334**	**74,458**	**6,872**	**81,330**
Surplus or deficit on the provision of services	**23,492**	**-14,359**	**8,136**	**17,269**	**-20,803**	**-3,534**

2009/10 comparative figures	Service Analysis	Not reported to management	Not included in cost of services	Net cost of services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000
Fees, charges and other income	-17,216	0	2089	**-15,127**	-2,089	**-17,216**
Interest and investment income	0	0	1,521	**1,521**	-1,521	**0**
Income from council tax	0	0	0	0	-10,986	**-10,986**
Government grants and contributions	-40,188	0	0	**-40,188**	-14,414	**-54,602**
Total income	**-57,404**	**0**	**3,610**	**-53,794**	**-29,010**	**-82,804**
Employee expenses	26,679	-1,466	0	**25,213**	2,352	**27,565**
Other operating expenses	53,889	-1,012	-375	**52,502**	395	**52,897**
Support service recharges	26,935	0	0	**26,935**	0	**26,935**
Recharges to other accounts	-28,706	0	0	**-28,706**	0	**-28,706**
Depreciation and impairment	0	0	9,466	**9,466**	0	**9,466**
Interest payments	0	0	-476	**-476**	476	**0**
Precepts and levies	0	0	0	**0**	3,915	**3,915**
Payments to housing capital receipts pool	0	0	0	**0**	3	**3**
Gain or loss on disposal of property, plant and equipment	0	0	0	**0**	-634	**-634**
Total operating expenses	**78,797**	**-2,478**	**8,615**	**84,934**	**6,507**	**91,441**
Surplus or deficit on the provision of services	**21,393**	**-2,478**	**12,225**	**31,140**	**-22,503**	**8,637**

14. Grant Income

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

	2010/11	2009/10
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue support grant	1,641	2,358
Distributed non domestic rate pool	11,299	10,215
Area based grants	95	71
Local authority business growth incentive grant	0	112
Total	**13,035**	**12,756**
Credited to Services		
Benefits grant		
Rent allowances	31,473	29,872
Council tax benefits	7,926	7,456
Benefits administration	1,142	1,010
Concessionary fares	478	351
Improvement grants	532	640
Planning and housing	0	576
Other	787	1,084
Total	**42,338**	**40,989**

The Council has received some grants that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	**2010/11**	**2009/10**
	£000	**£000**
Government grants		
Mobile Home Park	71	71
Mortgage Rescue Scheme	52	57
Homelessness	30	30
Priority needs for housing	12	12
Travellers implementation grant	8	8
	173	**178**

The Council has received some grants that have no conditions attached; they have been recognised as income but are held in the Capital Receipts Unapplied Account pending their use to fund the relevant MTP Scheme.

Capital Grants Unapplied Account	**2010/11**	**2009/10**
	£000	**£000**
Government grant for housing	239	284
Contribution from Cambridgeshire County Council towards major maintenance projects at leisure centres	318	0
Energy efficiency grant	37	0
	594	**284**

15. Property, Plant and Equipment

Movements on Balances

The ‘reclassification of assets’ mostly relates to transferring ‘assets under construction’ to the correct classification once they have been completed. The balance of £799k as at 31 March 3011 consist of a transfer to assets held for sale (£250k) and to investment properties (£549k).

Movements in 2010/11	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2010	**36,428**	**11,887**	**10,017**	**1,406**	**1,018**	**60,756**
Additions in year	2,729	1,584	364	0	661	**5,338**
Revaluation increases and decreases recognised in the Revaluation Reserve	-171	0	0	0	0	**-171**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	-1,478	-417	0	0	0	**-1,895**
Reclassifications of assets	86	15	118	0	-1,018	**-799**
Adjustment for disposal	0	-48	-15	0	0	**-63**
At 31 March 2011	**37,594**	**13,021**	**10,484**	**1,406**	**661**	**63,166**
Accumulated Depreciation						
At 1 April 2010	**-753**	**-3,875**	**-1,273**	**0**	**0**	**-5,901**
Depreciation charged in year	-1,033	-1,534	-460	0	0	**-3,027**
Revaluation changes to Revaluation Reserve	1,077	0	0	0	0	**1,077**
Depreciation written out to Comprehensive Income and Expenditure Statement	0	417	0	0	0	**417**
Adjustment for disposal	0	17	15	0	0	**32**
At 31 March 2011	**-709**	**-4,975**	**-1,718**	**0**	**0**	**-7,402**
Net Book Value						
At 31 March 2011	**36,885**	**8,046**	**8,766**	**1,406**	**661**	**55,764**
At 31 March 2010	**35,675**	**8,012**	**8,744**	**1,406**	**1,018**	**54,855**

Comparative Movements in 2009/10	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2009	**31,093**	**10,978**	**9,292**	**1,406**	**3,124**	**55,893**
Additions in year	8,660	1,507	427	0	690	**11,284**
Revaluation increases and decreases recognised in the Revaluation Reserve	-736	0	0	0	0	**-736**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	-4,635	0	0	0	0	**-4,635**
Reclassification of assets	2,210	180	331	0	-2,796	**-75**
Adjustment for disposal	-206	-778	-67	0	0	**-1,051**
At 31 March 2010	**36,386**	**11,887**	**9,983**	**1,406**	**1,018**	**60,680**
Accumulated Depreciation and Impairment						
At 1 April 2009	**-34**	**-2,957**	**-844**	**0**	0	**-3,835**
Depreciation charged in year	-728	-1,662	-462	0	0	**-2,852**
Adjustment for disposal	51	744	67	0	0	**862**
At 31 March 2010	**-711**	**-3,875**	**-1,239**	**0**	**0**	**-5,825**
Net Book Value						
At 31 March 2010	**35,675**	**8,012**	**8,744**	**1,406**	**1,018**	**54,855**
At 31 March 2009	**31,059**	**8,021**	**8,448**	**1,406**	**3,124**	**52,058**

Capital Commitments

As at 31 March 2011 the Council was contractually committed to capital works valued at approximately £1.9m. Similar commitments at 31 March 2010 were £3.5m

The main schemes are the St Ivo Outdoor Centre, St Neots pedestrian bridge and Alconbury flood works

Revaluations

Land and buildings held at current value were revalued at 1 April 2009.Revaluations are generally made every five years except where there has been significant work on the properties. In addition the administrative buildings were valued as at 31 March 2011 to ascertain the value of individual components. The valuations were carried out externally and independently by MG Storey FRICS (Fellow, Royal Institution of Chartered Surveyors) and MJ Beardall BLE (Hons) MRICS (Member, Royal Institution of Chartered Surveyors) of Barker Storey Matthews in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors

16. Investment Property

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement as financing and investment income and expenditure. The 2010/11 operating expenses are much higher due to the inclusion of capital impairments relating to the St Ives Enterprise Centre (£840k) and the St Neots Creative Exchange (£50k).

	2010/11 **£000**	**2009/10** **£000**
Rental income from investment property	-924	-715
Direct operating expenses arising from investment property	1,144	198
Net gain/(loss)	**220**	**-517**

The movement in investment properties balances during the year are shown below and the transfer relates to the land and "works under construction" relating to the St Ives Enterprise Centre on completion:

	2010/11 **£000**	**2009/10** **£000**
Balance at start of the year	**18,093**	**16,942**
Additions in year	836	0
Net gain/loss for fair value	-251	1,151
Transfers and reclassifications	549	0
Balance at end of the year	**19,227**	**18,093**

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

17. Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to software are generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £558k charged to revenue in 2010/11 was charged to the IMD management unit and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on intangible asset balances during the year is as follows:

	2010/11			2009/10		
	Internally Generated Assets	**Other Assets**	**Total**	**Internally Generated Assets**	**Other Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at start of year:						
Gross carrying amounts	72	4,048	4,120	0	4,053	4,053
Accumulated amortisation	-8	-2,295	-2,303	0	-2,162	-2,162
Net carrying amount at start of year	**64**	**1,753**	**1,817**	**0**	**1,891**	**1,891**
Additions:						
Internal development	26	0	26	56	0	56
Purchases	0	312	312	0	543	543
Assets reclassified from assets under construction	0	0	0	16	60	76
Other disposals	0	0	0	0	-608	-608
Amortisation for the period	-14	-544	-558	-8	-741	-749
Reversal of amortisation on disposals	0	0	0	0	608	608
Net carrying amount at end of year	**76**	**1,521**	**1,597**	**64**	**1,753**	**1,817**
Gross carrying amounts	99	4,360	4,459	72	4,048	4,120
Accumulated amortisation	-23	-2,839	-2,862	-8	-2,295	-2,303
Net carrying amount at end of year	**76**	**1,521**	**1,597**	**64**	**1,753**	**1,817**

There were no contractual commitments as at the balance sheet date.

18. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The net increase reflects the Council's need to borrow to finance capital expenditure. The borrowing will be repaid from an annual revenue charge (MRP) which reflects the use of the assets over their useful lives.

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	**11,231**	**447**
Property, Plant and Equipment	5,338	11,284
Investment Properties	836	0
Intangible Assets	338	599
Revenue Expenditure Funded from Capital under Statute	3,045	1,428
Expenditure in year	**9,557**	**13,311**
Sources of finance		
Capital receipts	-251	-892
Government grants and other contributions	-1,722	-1,566
Minimum revenue provision	-260	-3
S106 reserve	-315	-66
	-2,548	**-2,527**
Closing Capital Finance Requirement	**18,240**	**11,231**
Movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	7,009	10,784

19. Financial instruments

The financial assets and liabilities included on the balance sheet comprise the following categories of financial instruments

	Long-term			Current		
	31/03/11 £000	**31/03/10 £000**	**01/04/09 £000**	**31/03/11 £000**	**31/03/10 £000**	**01/04/09 £000**
Investments						
Loans and receivables	11,013	10,570	15,238	5,007	10,124	27,925
Total investments	**11,013**	**10,570**	**15,238**	**5,007**	**10,124**	**27,925**
Debtors						
Loans and receivables	1,509	1,442	1,250	5,644	12,494	6,945
Total Debtors	**1,509**	**1,442**	**1,250**	**5,644**	**12,494**	**6,945**
Borrowings						
Financial liabilities at amortised cost	-10,000	-10,000	-10,000	-3,211	-4,710	-6,110
Total borrowings	**-10,000**	**-10,000**	**-10,000**	**-3,211**	**-4,710**	**-6,110**
Creditors						
Financial liabilities at amortised cost	0	0	0	-8,074	-8,146	-9,885
Total creditors	**0**	**0**	**0**	**-8,074**	**-8,146**	**-9,885**

Gains and losses on income and expense

	2010/11		2009/10	
	Financial Liabilities	**Financial Assets**	**Financial Liabilities**	**Financial Assets**
	Liabilities measured at amortised cost	**Loans and receivables**	**Liabilities measured at amortised cost**	**Loans and receivables**
	£000	**£000**	**£000**	**£000**
Interest expense	448	0	476	0
Interest income	0	-750	0	-1,521
Net gain/(loss) for the year	**448**	**-750**	**476**	**-1,521**

Fair value of assets and liabilities carried at amortised cost
Financial liabilities and financial assets are recorded on the Balance Sheet at their amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- An estimated interest rate based on 10 year PWLB rates with a range of 3.36% to 5.15%, depending on the relevant year, has been used to calculate the fair value of private sector housing improvements loans
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value
- The fair value of debtors is taken to be the invoiced or billed amount.

	2010/11		2009/10	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Liabilities				
Financial liabilities	-21,285	-21,029	-22,856	-22,260
Assets				
Loans and receivables	23,173	23,258	34,630	34,822

The fair value of the liabilities is lower than the carrying amount because the portfolio of loans includes fixed rate loans where the interest rate payable is lower than the prevailing rates at the balance sheet date. This shows a notional future gain arising from a commitment to pay interest to lenders below current market rates.

The fair value of the assets is higher than the carrying amount because the portfolio includes investments where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date. This shows a notional future gain arising from a commitment to receive interest above current market rates. However the fair value of long-term debtors is less than the carrying value which reflects that the assets are interest-free and their future value is less than the current value.

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date.

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

20. Inventories

The main items in 'other inventories' are herbicides (£23k), refuse sacks (£15k), printing stock (£15k) and uniforms (£11k).

	Leisure Centres *		**Diesel**			**Other**			**Total**		
	2010/11	**2009/10**	**2010/11**	**2009/10**	**2008/09**	**2010/11**	**2009/10**	**2008/09**	**2010/11**	**2009/10**	**2008/09**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance outstanding at start of year	**55**	**0**	**37**	**10**	**43**	**97**	**97**	**91**	**189**	**107**	**134**
Purchases	0	0	628	574	571	58	50	53	686	624	624
Recognised as an expense in the year	0	0	-622	-549	-600	-42	-40	-46	-664	-589	-646
Stock adjustment	24	0	-2	2	-4	0	-10	-1	22	-8	-5
Written on balance *	0	55	0	0	0	0	0	0	0	55	0
Written off balances	0	0	0	0	0	-26	0	0	-26	0	0
Balance outstanding at year-end	**79**	**55**	**41**	**37**	**10**	**87**	**97**	**97**	**207**	**189**	**107**

* Leisure Centre inventories were brought on balance sheet in 2009/10 when the Council took over responsibility from the Management Committees.

21. Debtors

	Short Term Debtors		
	2010/11	**2009/10**	**2008/09**
	£000	**£000**	**£000**
Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	1,805	6,654	2,055
Other Local Authorities	1,016	2,265	1,728
Other entities and individuals	4,671	5,201	4,457
Bad debt provision (Impairment of loans and receivables)	-1,848	-1,626	-1,295
Total	**5,644**	**12,494**	**6,945**

22. Cash and Cash Equivalents

	2010/11 £000	2009/10 £000	2008/09 £000
Cash held by the Council	10	4	8
Bank balances	1,453	1,390	679
Bank current accounts (overdraft)	-1,666	-1,307	-1,879
Net Total Cash and Cash Equivalents	**-203**	**87**	**-1,192**

23. Short-Term Creditors

	2010/11 £000	2009/10 £000	2008/09 £000
Central government bodies – Her Majesty's Revenue and Customs, and Community and Local Government	1,028	1,200	2,818
Other local authorities	1,081	1,260	1,351
Other entities and individuals	5,965	5,686	5,716
Total	**8,074**	**8,146**	**9,885**

24. Other long-term liabilities

	2010/11 £000	2009/10 £000	2008/09 £000
Pension scheme liability	41,437	68,047	29,716
Other	735	776	713
Total	**42,172**	**68,823**	**30,429**

25. Assets Held for Sale

Assets held for sale are expected to be sold within twelve months, (at the balance sheet date). The asset is carried at book value or expected sale proceeds, whichever is lower.

	2010/11 £000	2009/10 £000	2008/09 £000
Balance outstanding at start of year	0	0	0
Site of former St Neots fire station	250	0	0
Total	**250**	**0**	**0**

26. Usable Reserves

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

27. Unusable Reserves

	2010/11 £000	2009/10 £000	2008/09 £000
Capital Adjustment Account	-53,002	-58,361	-64,223
Revaluation Reserve	-6,481	-5,976	-6,947
Financial Instruments Adjustment Account	207	199	214
Pensions Reserve	41,437	68,047	29,716
Collection Fund Adjustment Account	-106	-1	7
Accumulating Compensated Absences Adjustment Account	345	354	335
Total Unusable Reserves	**-17,600**	**4,262**	**-40,898**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	**2010/11 £000**	**2009/10 £000**
Balance at 1 April	**-58,361**	**-64,223**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	3,027	7,249
Revaluation losses on Property, Plant and Equipment	1,484	40
Amortisation of intangible assets	558	749
Revenue expenditure funded from capital under statute	2,229	1,428
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	33	189
Adjusting amounts written out of the Revaluation Reserve	-401	-235
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	-251	-892
Use of the earmarked S106 reserve	-315	0
Application of grants to capital financing from the Capital Grants Unapplied Account	-996	-1,566
Statutory provision for the financing of capital investment charged against the General Fund	-236	-3
Capital expenditure charged to the General Fund	0	86
Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	227	-1,183
Total movements	**5,359**	**5,862**
Balance at 31 March	**-53,002**	**-58,361**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. It is identified at individual asset level. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost. If no surplus remains on a particular asset's account any further impairment must be charged to the surplus/deficit on the provision of services within the Comprehensive Income and Expenditure Statement
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

Revaluation Reserve	2010/11 £000	2009/10 £000
Balance at 1 April	**-5,976**	**-6,947**
Upward revaluation of assets	-1,760	0
Downward revaluation of assets not charged to the surplus/deficit on the provision of services	854	736
Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	309	235
Other adjustments for assets removed or transferred - written off to Capital Adjustments Account	92	
Balance at 31 March	**-6,481**	**-5,976**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the differences between accounting for the fair value of loans given of individuals for housing, and the actual income credited to the General Fund.

Financial Instruments Adjustment Account	2010/11 £000	2009/10 £000
Balance at 1 April	**199**	**214**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	8	-15
Balance at 31 March	**207**	**199**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Further information is found in the section on Pension Accounts.

Pensions Reserve	2010/11 £000	2009/10 £000
Balance at 1 April	**68,047**	**29,716**
Actuarial gains or losses on pensions assets and liabilities	-14,126	37,445
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	-8,743	4,263
Employer's pensions contributions and direct payments to pensioners payable in the year	-3,741	-3,377
Balance at 31 March	**41,437**	**68,047**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as relates to 2010/11 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

Collection Fund Adjustment Account	2010/11 £000	2009/10 £000
Balance at 1 April	**-1**	**7**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-105	-8
Balance at 31 March	**-106**	**-1**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year i.e. annual leave entitlement and accrued flexitime carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulating Compensated Absences Adjustment Account	2010/11 £000	2009/10 £000
Balance at 1 April	**354**	**335**
Settlement or cancellation of accrual made at the end of the preceding year	-354	-335
Amounts accrued at the end of the current year	345	354
Balance at 31 March	**345**	**354**

28. Leases

Council as Lessee

Finance Leases

The Council has acquired some industrial units under finance leases. The assets acquired under these leases are carried as investment property in the Balance Sheet at the following amounts:

	31 March 2011 £000	31 March 2010 £000
Investment properties	1,635	1,659

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

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	10	14
Non-current	556	566
Finance costs payable in future years	3,146	3,188
Minimum lease payments	**3,712**	**3,768**

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

	Minimum lease payments		Finance lease payments	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than 1 year	51	56	10	14
Later than 1 year and not later than 5 years	167	179	11	21
Later than 5 years	3494	3,533	545	545
	3,712	**3,768**	**566**	**580**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £94k contingent rents were payable by the Council (2009/10 £84k).

Operating Leases

The Council has a number of operating leases for land, pool cars and cars for individual members of staff. The leases for cars are typically 3 or 4 years, whilst those for land vary from 3 years to 50 years. The operating lease payments made in the year, are as follows:

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

	31 March 2011 £000	**31 March 2010 £000**
Not later than 1 year	106	137
Later than 1 year and not later than 5 years	149	239
Later than 5 years	65	82
	320	**458**

The expenditure charged to the appropriate service in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011 £000	**31 March 2010 £000**
Minimum lease payments	117	140
Contingent rents	0	0

Service Concessions

The Council does not have any contracts that include service concessions

Council as Lessor

Finance leases

The Council has no finance leases

Operating leases

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses

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

	31 March 2011 £000	31 March 2010 £000
Not later than 1 year	634	706
Later than 1 year and not later than 5 years	1,583	1,929
Later than 5 years	2,052	2,339
	4,269	**4,974**

The lease payments receivable do not include rents that are contingent on events taking place after the balance sheet date, such as adjustments following rent reviews.

29. Impairment Losses

There were no impairment losses in 2009/10 and 2010/11.

30. Cash Flow Statement – Operating Activities

The interest items element of the cash flows for operating activities are as follows:

	2010/11	2009/10
	£000	**£000**
Interest received	750	1,521
Interest paid	-448	-476

31. Cash Flow Statement – Investing Activities

	2010/11	2009/10
	£000	**£000**
Purchase of property, plant and equipment, investment property and intangible assets	-4,888	-11,897
Other payments for investing activities	-107	-248
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	253	826
Proceeds from short-term and long-term investments	5000	5,038
Other receipts from investing activities	1,052	0
Net cash flows from investing activities	**1,310**	**-6,281**

32. Cash Flow Statement – Financing Activities

	2010/11	2009/10
	£000	£000
Other receipts from financing activities	4,491	531
Repayments of short- and long-term borrowing	-1,499	0
Net cash flows from financing activities	**2,992**	**531**

33. Trading Operations

The Council has established two trading operations, markets and the sale of IT software, where the service manager is required to operate in a commercial environment and balance their budget by generating income from external organisations and entities. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement in the Financing and Investment Income and Expenditure line.

	2010/11			2009/10		
	Expenditure	Income	Surplus (-) /Deficit	Expenditure	Turnover	Surplus (-) /Deficit
	£000	£000	£000	£000	£000	£000
Markets						
Huntingdon	19	-40	-21	21	-52	-31
Ramsey	5	-4	1	4	-5	-1
St Ives	44	-117	-73	35	-134	-99
Management	88	0	88	85	0	85
IT projects	19	-19	0	0	0	0
Total	**175**	**-180**	**-5**	**145**	**-191**	**-46**

34. Related Parties

The Council must disclose in the accounts any material transactions with related parties. Related parties are 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.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties e.g. council tax bills. Grants received from government departments are set out in the analysis in note 13 on reporting resources allocation decisions and note 14, government grants.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in note 35. Some elected members are also members of other bodies – the most common being the County Council and Parish and Town Councils and Drainage Boards. In 2010/11 the amounts paid or payable to Cambridgeshire County Council (excluding precept payments) were £1,555k and the sums received or receivable were £2,847k; in addition £4,990k was paid or payable to Cambridgeshire County Council for pension contributions. During 2010/11 £5k was paid to a supplier in which a member had an interest.

In 2009/10 the Council introduced a scheme of allowing Parish Councils to deposit surplus funds with the Council. One Parish has deposited (£100k) and one Member of the Council is also a Councillor of that Parish Council. This deposit was outstanding as at the balance sheet date. No other material transactions have been identified for disclosure that are not reported elsewhere in these Accounts.

35. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

	2010/11 £000	2009/10 £000
Allowances	403	399
Expenses	39	41
	442	**440**

36. Officers' Remuneration

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay, redundancy payments and other employee benefits but not employer's pension contributions.

	2010/11	2009/10
£50,000 - <£55,000	21	20
£55,000 - <£60,000	1	1
£60,000 - <£65,000	4	2
£65,000 - <£70,000	3	2
£70,000 - <£75,000	5	6
£75,000 - <£80,000	3	2
£80,000 - <£85,000	0	0
£85,000 - <£90,000	1	0
£95,000 - <£100,000	1	0
£100,000 - <£105,000	2	2
£105,000 - <£110,000	0	1
£110,000 - <£115,000	1	0
£140,000 - <£145,000	1	0
£165,000 - <£170,000	1	0
£175,000 - <£180,000	0	1
Total	**44**	**37**

Remuneration for Senior Employees

The details of the remuneration of the Senior Employees (Chief Officers) are shown in the table below. They are also included in the table above

2010/11 Post holder	Salary including allowances £	Election Fees (2)	Salary including allowances and fees	Bonus £	Benefits in kind £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Chief Executive (David Monks)	149,410	8,968	**158,378**	0	11,039	**169,417**	32,107	**201,524**
Director of Central Services	93,316	685	**94,001**	0	5,277	**99,278**	18,486	**117,764**
Director of Commerce and Technology	94,480	0	**94,480**	4,064	1,507	**100,051**	18,486	**118,537**
Director of Environment and Community Services	91,597	0	**91,597**	4,064	6,475	**102,136**	18,486	**120,622**

Comparative 2009/10 Post holder	Salary including allowances £	Election Fees	Salary including allowances and fees	Bonus (1) £	Benefits in kind £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Chief Executive (David Monks)	149,984	7,812	**157,796**	8,940	11,039	**177,775**	28,909	**206,684**
Director of Central Services	93,191	2,537	**95,728**	5,418	5,277	**106,423**	16,695	**123,118**
Director of Commerce and Technology	94,985	0	**94,985**	5,418	1,507	**101,910**	16,674	**118,584**
Director of Environment and Community Services	91,727	0	**91,727**	5,418	6,475	**103,620**	16,674	**120,294**

Note 1 The bonus payments made in 2009/10 include both the 2009/10 bonus and a retrospective payment for 2008/09.
Note 2 The election fees do not include fees for General, European and County Council elections paid for by third parties.

37. External Audit Costs

These figures show the amounts included in the accounts which include any adjustments made for previous years

	2010/11	2009/10
	£000	£000
External audit	118	103
Grant claim certification	37	18
Statutory inspections	0	8
National Fraud Initiative	1	1
	156	**130**

38. Termination Benefits

The Council terminated the contracts of 31 employees in 2010/11 as a result of voluntary redundancy, incurring liabilities of £456k (£0 in 2009/10). The Council has approved the voluntary redundancy of a further 29 employees who will leave during 2011/12. The expense of £1,113k has been included in the Comprehensive Income and Expenditure Statement for 2010/11, and the liability is included in the balance sheet as a creditor.

39. Contingent Assets

Claims have been made for the refund of VAT relating to off-street parking since 1998, but whilst legal cases have not totally removed the possibility of a refund the position is now much less hopeful. The claim is for £1,874k.

40. Contingent Liabilities

At 31 March 2011 the Council had the following contingent liabilities:

1. Under the Environmental Information Regulations the Council is no longer entitled to charge for personal inspection of the Local Land Charges Register. A test case has been commenced against a number of local authorities in respect of fees previously charged under legislation passed by Central Government, but these proceedings are being defended. If a claim is made against Huntingdonshire District Council by a personal search company, then in the absence of any judgement confirming the liability of local authorities for repayment of personal search fees, the Council will contest any such claim. The Council estimates that it has received in the region of £150k for personal searches for the period from 1 January 2005 to 17 August 2010.

2. The Council has agreed to paying disabled facilities grants of £400k but the schemes have not yet started. The expense will only be incurred if the householders carry out the home alterations.

3. The appellants in respect of the former RAF Upwood planning appeal have made a full costs claim against the Council. This proposal is subject to an on-going judicial review process which may require the appeal to be reconsidered. If that is the case the Council may need to fund specialist services at an estimated cost of £200k.

4. The Council's insurer was MMI until 1993 and it is still liable for claims relating to the period when it insured the Council. The Council has entered a Scheme of Arrangement whereby MMI could claw back the claims payments made since 30 September 1993, should MMI become insolvent. As at 31 March 2011 the maximum clawback is £601k.

5. The Environmental Protection Act 1990 Part IIA makes the Council liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. It is not yet clear whether any financial liability will fall on the Council. The costs cannot be quantified but are unlikely to be material.

6. Following the transfer of the Council's housing stock to Huntingdonshire Housing Partnership in 2000 the Council bears continuing unlimited liability in two respects:
    (i) Necessary associated sewer maintenance in excess of £65k p.a.
    (ii) Environmental pollution arising on the land transferred, though an insurance policy is in place to cover the majority of any liability.

The costs cannot be quantified but are unlikely to be material.

41. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in measures such as interest rates.

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 management team with due regard to the Annual Treasury Management Strategy approved by the Council

Credit risk

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council's customers.

In relation to investments the Council has adopted CIPFA's *Code of Practice on Treasury Management in the Public Services,* has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £16,020k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. The risk of not being able to recover the principal sums applies to all of the Council's deposits but there was no evidence as at 31 March 2011 that this was likely to occur and there are no investments that as at 31 March 2011 were with institutions that had failed.

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The older the debt, the greater is the provision for bad debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables, based on historical experience of default and uncollectability.

The following table relates to the sundry debtors element of the total debtors, including debts individuals, entities and housing benefit claimants.

	Amount at 31 March 2011	Historical experience of default	Historical experience of default adjusted for market conditions	Impairment allowance 31 March 2011	Impairment allowance 31 March 2010
	£000	%	%	£000	£000
Sundry debtors	**2,626**	**3.2**	**3.2**	**1,643**	**1,374**

The Council does not generally allow credit for customers. The past due, but not impaired amount can be analysed by age as follows:

	31/03/11 £000	31/03/10 £000
Less than three months	749	1,208
Three to six months	217	232
Six months to one year	334	408
More than one year	1326	1,031
	2,626	**2,879**

Liquidity risk

The Council maintains a cash flow projection that assists in ensuring that cash is available as needed. If unexpected movement happen the Council has ready access to borrowings from the money markets, and if necessary from the Public Works Loans Board (PWLB), although the Council does not generally uses the PWLB for short-term cash-flow deficits. There is no significant risk that that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is shown below. The financial liabilities of more than one year are loans with the PWLB which do not mature until December 2057 at the earliest and therefore there is no immediate concern about funding the repayment.

	31/03/11	31/03/10
	£000	**£000**
Less than one year	3,211	4,710
More than one year	10,000	10,000
	13,211	**14,710**

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:

- Borrowing at variable rates – the interest expense charged to the Surplus of Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of liabilities borrowings will fall
- Investment at variable rates – the interest income credited to the Surplus of deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

However the impact on the Surplus or Deficit on the Provision of Services is reduced because the Council does not generally borrow or invest at variable rates. 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.

The Council manages interest rate risk by not having any borrowings in variable rate loans. At times of falling interest rates and where economic circumstances make it favourable, consideration would be given to repaying fixed rate loans early to limit exposure to losses.

The treasury management team assesses the interest rate exposure that feeds into the setting of the annual budget and it is used to update the budget at least quarterly during the year.

If in 2010/11 interest rates on all of its investments and borrowings had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings of less than 1 year	0
Increase in interest receivable on investments of less than 1 year	144cr
Impact on the surplus on the Provision of Services	144cr
Increase in the fair value of fixed rate investments	465cr
Impact on Other Comprehensive Income and Expenditure	465cr
Decrease in fair value of fixed rate borrowings (No impact on the Comprehensive Income and Expenditure Statement)	1,731

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk and foreign exchange risk are not applicable.

Collection Fund

2009/10 £000	2009/10 £000		2010/11 £000	2010/11 £000
		INCOME		
-75,853		Council Tax before transfers	-79,013	
		Transfers from General Fund		
-7,394		- Council Tax benefits	-7,859	
-1		- Transitional relief	0	
-51,368		Income from business ratepayers	-50,869	
0		Contribution towards previous years Collection Fund deficit	-265	
	-134,616			-138,006
		EXPENDITURE		
82,709		Precepts and demands	86,164	
		Business rate		
51,140		- Payment to national pool	50,646	
228		- Costs of collection	223	
		Bad and doubtful debts/appeals		
162		- Write-offs	241	
105		- Change in impairment	-58	
375		Contribution towards previous years estimated collection fund surplus	0	
	134,719			137,216
		MOVEMENT ON FUND BALANCE		
-110		Fund balance as at 1 April	-7	
-7		Fund balance as at 31 March	-797	
	103	Movement on fund balance for year		-790

Notes to the Collection Fund

1. Huntingdonshire District Council is a billing authority responsible for collecting Council Tax and NNDR in its area for itself, for major preceptors (the County Council, Police Authority and Fire Authority) and NNDR for Central Government. The Council acts as agent when collecting tax for major preceptors.

2. Until it is distributed, the tax collected is held in a statutory Collection Fund which is separate from the General Fund of the Council. The accounts are however, consolidated into the Council's accounts. They have been prepared on an accruals basis.

Parish and Town Council precepts are transferred to the General Fund before being paid to the Parish or Town Council.

Interest is not payable/chargeable to the Collection Fund on cash flow variations between it and the General Fund.

3. There is no requirement for a separate Collection Fund Balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between Huntingdonshire District Council and the major preceptors in proportion to their demand on the fund for the coming year. The major preceptors share of the assets and liabilities of the Collection Fund are shown as a debtor in Huntingdonshire District Council's accounts. Huntingdonshire District Council's share of the assets and liabilities are in the Collection Fund Adjustment Account reserve.

4. Precepts and demands

The following authorities made a precept or demand that was greater than £250k:

	2010/11 £000	**2009/10 £000**
Cambridgeshire County Council	61,379	58,961
Cambridgeshire Police Authority	9,933	9,546
Cambridgeshire Fire Authority	3,390	3,265
Huntingdonshire District Council-General Expenses	7,274	7,022
Huntingdonshire District Council-Parish Precepts	4,188	3,915
	86,164	82,709
Included in the Parish Precepts figure above:		
St Neots Town Council	859	804
Huntingdon Town Council	736	657
St Ives Town Council	555	506

5. Council tax

Taxbase at 31 March 2011				
Tax band	**Properties**	**Exemptions & discounts**	**Band D multiplier**	**Band D equivalent**
A	11,264	2,099	6/9	6,113
B	18,934	2,551	7/9	12,742
C	17,119	1,835	8/9	13,586
D	11,255	1,028	9/9	10,226
E	8,357	757	11/9	9,289
F	3,414	292	13/9	4,510
G	1,638	136	15/9	2,504
H	149	25	18/9	247
Total	**72,130**			**59,217**

Council tax charge per band D property at 31 March 2010 £1,427.01
Council tax charge per band D property at 31 March 2011 £1,470.87

6. National non domestic rates (NNDR)

The uniform business rate set by the Government for 2010/11 was 41.4p (2009/10 48.5p).

Total rateable value at 31 March 2010 £124.9m
Total rateable value at 31 March 2011 £143.7m

Pension Fund

This section provides information about the Council's assets, liabilities, income and expenditure related to The Local Government Pension Scheme in relation to its employees.

1. Introduction

This statement is based on the requirements of the International Accounting Standard 19.

2. The Pension Scheme

Employees of Huntingdonshire District Council may participate in the Cambridgeshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

The cost of retirement benefits recognised in the Net Cost of Services is the full value of benefits earned by employees, rather than costs of benefits paid out as pensions each year. The Council and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets.

3. Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The rate for 2010/11 was determined on the basis of contribution rates set in the valuation at 31 March 2007. This valuation of the Pension Fund concluded that to meet future estimated liabilities higher rates were required: 16.3% (from 1 April 2008), 18.4% (from 1 April 2009) and 20.4% (from 1 April 2010) in accordance with Government regulations.

Due to reduced returns, the revised contribution rates are not adequate to cover 100% of the liabilities and these notes outline the latest position according to the fund actuary.

4. Transactions relating to Post-employment (Retirement) 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 benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

5. Comprehensive Income and Expenditure Statement

	2010/11 £000	2009/10 £000
Cost of Services:		
Current Service Cost	3,552	1,897
Past Service Gain	-14,209	
Curtailments	29	14
Financing and Investment Income and Expenditure:		
Interest Cost	7,434	6,036
Expected Return on Scheme Assets	-5,549	-3,684
Total post employment benefit charged to the deficit on the provision of services	**-8,743**	**4,263**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses (-)	14,126	-37,445
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**5,383**	**-33,182**
Movement in Reserves Statement		
Reversal of net charges made to the deficit for the provision of services form post employment benefits in accordance with the Code	8,743	-4,263
Actual amount charged against the General Fund Balance for Pensions in the Year:	3,741	3,377
Employer's contributions payable to the scheme		
Total Movement in Reserves Statement	12,484	-886

The cumulative amount of actuarial gains and losses recognised within 'Other comprehensive income and expenditure' within the Comprehensive Income and Expenditure Statement up to the 31 March 2011 is a loss of £37,838k.

6. Assets and Liabilities in relation to Post employment Benefits

Reconciliation of present value of the scheme liabilities in respect of Huntingdonshire District Council:

	31 March 2011 £000	31 March 2010 £000
Opening balance as at 1 April	**146,133**	**87,593**
Current service cost	3,552	1,897
Interest Cost	7,434	6,036
Contributions by scheme participants	1,135	1,124
Actuarial losses / gains (-)	-15,910	52,727
Benefits paid	-4,423	-3,056
Estimated unfunded benefits paid *	-189	-202
Past service costs / gains(-)	-14,209	0
Curtailments	29	14
Closing balance at 31 March	**123,552**	**146,133**

* The unfunded benefits are those relating to the early retirement of scheme members where the Council makes an additional contribution to the Pension Fund.

Reconciliation of fair value of the scheme assets in respect of Huntingdonshire District Council:

	31 March 2011 £000	31 March 2010 £000
Opening balance 1 April	**78,086**	**57,877**
Expected rate of return	5,549	3,684
Actuarial gains / losses (-)	-1,784	15,282
Contributions by the employer	3,552	3,175
Contributions by scheme participants	1,135	1,124
Contributions for unfunded benefits *	189	202
Benefits paid	-4,423	-3,056
Unfunded Benefits paid *	-189	-202
Closing balance at 31 March	**82,115**	**78,086**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £5,009k (2009/10 £18,966k).

7. Scheme History

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Present value of liabilities	-123,552	-146,133	-87,593	-89,097	-99,622
Fair value of assets	82,115	78,086	57,877	70,441	75,559
Deficit in the scheme	**-41,437**	**-68,047**	**-29,716**	**-18,656**	**-24,063**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment benefits. The total liability of £123,552k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £41,437k. However the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council expects to contribute £3,480k into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2012.

8. Basis for Estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2010. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below.

County Fund – Main Assumptions		**2010/11**	**2009/10**
Rate of inflation		2.8%	3.8%
Rate of increase in salaries		5.1%	5.3%
Rate of increase in pensions		2.8%	3.8%
Rate of discounting scheme liabilities		5.5%	5.5%
Expected return on assets		6.8%	7.1%
Mortality			
Longevity at 65 for current pensioners			
Men		21.0 years	20.8 years
Women		23.8 years	24.1 years
Longevity at 65 for future pensioners			
Men		22.9 years	22.3 years
Women		25.7 years	25.7 years
Expected long-term rate of return on assets			
Equity Investments		7.5%	7.8%
Bonds		4.9%	5.0%
Property		5.5%	5.8%
Cash		4.6%	4.8%
Take-up option to convert pension into tax free lump sum up to HMRC limits	For pre-April 2008 service	25%	25%
	For post-April 2008 service	63%	63%

Pension fund assets consist of the following categories, by proportion of the total assets held:

	Proportion of Total assets held by the Fund	
	31 March 2011	**31 March 2010**
Equity Investments	73%	72%
Bonds	15%	15%
Property	8%	8%
Cash	4%	5%
Total Fund Assets	**100%**	**100%**

9. History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets of liabilities at 31 March 2011.

	2010/11 £000	**2009/10 £000**	**2008/09 £000**	**2007/08 £000**	**2006/07 £000**
Differences between expected and actual return on assets	-2.17%	19.57%	-31.85%	-15.08%	0.96%
Experience gains/ losses (-) on liabilities	-1.54%	0.36%	-0.26%	-0.92%	-0.28%

10. Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

GLOSSARY OF TERMS

Actuarial Assumptions – these are predictions made for factors that will affect the financial condition of the pension scheme

Amortisation – the gradual write off of initial costs of assets

Asset – an item having value to the Council in monetary terms

Capital Expenditure – expenditure on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or expenditure on non-current assets

Capital Adjustment Account – the account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities

Capital Receipts – income received from selling non-current assets

Carrying amount – the value of an asset or liability in the balance sheet

CIPFA – this is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector

Collection Fund – a separate fund that records the income and expenditure relating to council tax and non-domestic rates

Contingent Liabilities – these are amounts that the Council may be, but is not definitely, liable for

Council Tax – a tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services

Creditors – these are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year

Current Assets – these are assets that are held for a short period of time, for example cash in the bank, inventories and debtors

Debtors – sums of money owed to the District Council but not received at the year end

Deferred Charges – expenditure which is capital in nature but does not result in an item of property, plant and equipment e.g. grants

Depreciation – the amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of the property, plant and equipment value has been used and therefore lowered during a financial year, for example because of wear and tear

Earmarked Reserves – money set aside for a specific purpose.

Exceptional Item – material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council but which needs to be disclosed separately by virtue of their size to give a fair presentation of the accounts

Fair value – the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arms length transaction

Finance Lease – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant and equipment to a lessee

IFRS – international financial reporting standard

Impairment – a reduction in the value of property, plant and equipment to below its carrying amount on the balance sheet

Impairment of debts – this recognises that the real value of debt is less than the book value

Intangible Assets – a non-physical item which provides future economic benefits. This Council's intangible assets comprise computer software licences

Liabilities – amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date

Liquid Resources – current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market

Minimum revenue provision – the minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council

National Non Domestic Rates – rates which are levied on business properties. The District Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population

Operating Leases – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor

Precept – a payment to the Council's General fund, or another local authority, from the Council's Collection Fund

Prior Year Adjustments – these are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors

Property, Plant and Equipment – non-current assets that give benefit to the District Council and the services it provides for more than one year

Revaluation Reserve – the account that reflects the amount by which the value of the Council's assets has been revised following revaluation or disposal

Revenue Support Grant (RSG) – a grant from Central Government towards the cost of providing services