

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **TUESDAY, 28 JUNE 2011** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

AN INFORMAL SESSION ON THE PRESENTATION OF THE COUNCIL'S ACCOUNTS WILL BE HELD AT 6:00PM FOR ALL PANEL MEMBERS IN CIVIC SUITE 0.1A

APOLOGIES

1. MINUTES (Pages 1 - 6)

To approve as a correct record the Minutes of the meetings of the Panel held on 23rd March and 18th May 2011.

**Miss H Ali
388006**

2. MEMBERS' INTERESTS

To receive from Members declarations as to personal and/or prejudicial interests and the nature of those interests in relation to any Agenda Item. Please see Notes 1 and 2 overleaf.

3. FINAL ACCOUNTS 2010/11 (Pages 7 - 74)

To consider a report by the Head of Financial Services seeking approval of the draft Statement of Accounts for the 2010/11 financial year.

**Mrs E Smith
388157**

The Statement of Accounts is enclosed.

4. INTERNAL AUDIT PLAN (Pages 75 - 86)

To consider a report by the Audit and Risk Manager regarding the Internal Audit and Assurance Plan for the 12 month period commencing August 2011.

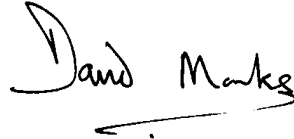
**D Harwood
388115**

5. COMPLAINTS (Pages 87 - 90)

To consider a report by the Head of Legal and Democratic Services on the internal complaints determined by the Local Government Ombudsman in 2010/11.

**A Roberts
388015**

Dated this 24 day of June 2011



Chief Executive

Notes

1. *A personal interest exists where a decision on a matter would affect to a greater extent than other people in the District –*
 - (a) *the well-being, financial position, employment or business of the Councillor, their family or any person with whom they had a close association;*
 - (b) *a body employing those persons, any firm in which they are a partner and any company of which they are directors;*
 - (c) *any corporate body in which those persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or*
 - (d) *the Councillor's registerable financial and other interests.*
2. *A personal interest becomes a prejudicial interest where a member of the public (who has knowledge of the circumstances) would reasonably regard the Member's personal interest as being so significant that it is likely to prejudice the Councillor's judgement of the public interest.*

Please contact Mrs A Jerrom, Member Development Officer, Tel No: 01480 388009 / e-mail: Amanda.Jerrom@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Panel.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

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HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, Cambs, PE29 3TN on Wednesday, 23 March 2011.

PRESENT: Councillor M G Baker – Vice-Chairman.

Councillors P L E Bucknell, S J Criswell,
T V Rogers and C M Saunderson.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors K J Churchill and T D Sanderson.

30. MINUTES

The Minutes of the meeting of the Panel held on 8th December 2010 were approved as a correct record and signed by the Chairman.

31. MEMBERS' INTERESTS

No declarations were received.

32. EXTERNAL AUDIT PLAN 2010/11

(Mr C McLaughlin of Pricewaterhouse Coopers LLP, the Council's external auditors, was in attendance for consideration of this item).

The Panel received and noted a report by the Head of Financial Services (a copy of which is appended in the Minute Book) to which was attached the external audit plan for 2010/11. Mr C McLaughlin delivered an outline of the planned work to be undertaken at the Council over the course of the year and drew attention to the level of audit fees anticipated for undertaking grant claim certifications. The Panel discussed the threshold for uncorrected misstatements identified within the accounts and the auditing of revenue items contained within the Council's Medium Term Plan. With regard to the former, it was agreed that the total number of errors identified between £50,000 and £80,000 would be included within future reports. Whereupon, it was

RESOLVED

that the content of the Council's External Audit Plan 2010/11 be received and noted.

33. GRANT CERTIFICATION REPORT 2009/10

Consideration was given to a report by the Head of Financial Services (a copy of which is appended in the Minute Book) detailing the external auditor's certification of specific grants received by the Council in 2009/10. Whilst there were no significant issues arising from the report, the Panel questioned the value for money gained

from undertaking this work given that only minor errors had been identified.

RESOLVED

that the Grants Certification Report for 2009/10 be received and noted.

34. 2010/11 ACCOUNTS - ACCOUNTING POLICIES

The Panel gave consideration to a report prepared by the Head of Financial Services (a copy of which is appended in the Minute Book) seeking approval of draft accounting policies which had been prepared for the 2010/11 accounts. The policies had been developed in accordance with International Financial Reporting Standards and had resulted in changes to the way in which the accounts would be presented.

Having been informed that there would no longer be a requirement for the Panel to comment upon the draft accounts, the Panel concurred that for best practice purposes the draft statement of accounts should continue to be submitted to the Panel at its June meeting.

In noting that training would be provided to Members of the Panel on the new format of the accounts, the Panel

RESOLVED

that the draft accounting policies for 2010/11 be approved.

35. PROPOSED CHANGES TO THE CODE OF PROCUREMENT

Consideration was given to a report by the Head of Financial Services (a copy of which is appended in the Minute Book) proposing amendments to the Code of Procurement. In light of recent developments concerning the Coalition Government's localism agenda, it was suggested by a Member that a further review of the Code to take into account the anticipated emergence of social enterprise businesses might be necessary. Having expressed their support for the proposed amendments, it was

RESOLVED

that the Council be recommended to endorse the revised Code of Procurement as appended to the report now submitted.

36. PROGRESS REPORT ON ISSUES IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT

Consideration was given to a report by the Head of People, Performance and Partnerships (a copy of which is appended in the Minute Book) which provided the half yearly review of the Annual Governance Statement action plan and the Council's improvement plan. Whereupon, it was

RESOLVED

that progress made to date with regards to the implementation of the action plan arising from the Annual Governance Statement and the Council's improvement plan be noted.

37. RISK REGISTER

With the aid of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel was acquainted with changes made to the Risk Register between the period 1st September 2010 to 28th February 2011 inclusive.

RESOLVED

that the contents of the report now submitted be noted.

38. INTERNAL AUDIT SERVICE: INTERIM PROGRESS REPORT

During discussion on this item, the Vice-Chairman of the Panel, Councillor M G Baker, left the meeting (7.35pm). In the absence of the Chairman and Vice-Chairman, it was

RESOLVED

that Councillor T V Rogers be elected Chairman for the duration of the meeting.

The Panel received and noted a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) summarising the progress made to date in respect of the delivery of the 2010/11 Annual Audit Plan and the performance standards achieved. Updates were received on the audit system review undertaken for supermarket car park recovery costs and a data encryption exercise currently being undertaken by the Council.

RESOLVED

that the content of the report now submitted be noted.

39. EMPLOYEES' CODE OF CONDUCT

With the assistance of a report by the Head of Democratic and Central Services (a copy of which is appended in the Minute Book) the Panel were acquainted with details of proposed changes to the Employees' Code of Conduct. The changes were proposed following a recent review of the Code and the Council's Anti-Fraud & Corruption Strategy.

RESOLVED

- (a) that the Council be recommended to endorse the necessary changes to the Employees' Code of Conduct; and
- (b) that the Head of Law, Property and Governance be authorised to make minor changes to the Employees'

Code of Conduct following the publication of guidelines on the Bribery Act in consultation with the Chairmen of the Employment and Corporate Governance Panels.

Chairman

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in the Civic Suite, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 18 May 2011.

PRESENT: Councillors M G Baker, R S Farrer, G J Harlock, A R Jennings, P G Mitchell and T V Rogers.

APOLOGY: An Apology for absence from the meeting was submitted on behalf of Councillor E R Butler.

1. ELECTION OF CHAIRMAN

RESOLVED

that Councillor E R Butler be elected Chairman of the Panel for the ensuing Municipal Year.

Having noted that Councillor E R Butler had submitted his apologies for absence from the meeting, it was

RESOLVED

that Councillor T V Rogers be elected Chairman for the duration of the meeting.

Councillor T V Rogers in the Chair.

2. MEMBERS' INTERESTS

No declarations were received.

3. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

that Councillor M G Baker be appointed Vice-Chairman of the Panel for the ensuing Municipal Year.

Chairman

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**FINAL ACCOUNTS 2010/11
(Report by the Head of Financial Services)**

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulation 2011 no longer require Members to approve the accounts before they are audited. However, because of the changes that are created by the introduction of International Financial Reporting Standards (IFRS) this year the Panel asked that the accounts be presented to them at this meeting.
- 1.2 There has been significant pressure from the Government and the accountancy institutes for local authority accounts to more closely mirror those of the private sector. Whilst this has some obvious logic, local authorities have some specific rules relating to how particular items of expenditure are treated and the blending of these contradictory aspects gives rise to some rather unusual and complex adjustment accounts. As a result, they are not easy to understand despite the inclusion of notes to help explain the key aspects.
- 1.3 The prime purpose of the accounts is to form the official record of what has happened in the last year and, when audited, they will demonstrate that a proper level of financial stewardship has been achieved on behalf of local residents.
- 1.4 If the Council's auditors, PricewaterhouseCoopers LLP, identify any significant concerns during the course of the audit then these will be reported to the Panel in September.

2 LAST YEAR'S AUDIT

- 2.1 When last year's accounts were approved for publication in September 2010 the external auditor made eight recommendations and these, together with the Council's response, are shown in Annex A.

3. CONSIDERATION OF THE ACCOUNTS

- 3.1 It is important that the Panel have an adequate understanding of the Final Accounts. It is therefore intended to provide an introduction to the key elements and issues prior to the start of the meeting thus enabling more effective discussion during the formal meeting.
- 3.2 The accounts cover a significant range of services and issues which means that it would be impossible to have a ready answer to all potential questions. Panel members are therefore encouraged to give prior warning of any areas on which they require explanation or clarification to be given at the meeting. Please notify Eleanor Smith or Steve Couper by email or phone of any such areas in advance of the meeting.

3.3 Unfortunately, the timetable for preparing the Final Accounts is demanding, particularly this year with the introduction of IFRS, and so it may be necessary for them to be circulated after the agenda. Every effort will be made to do this as soon as possible to give Members longer to review them.

4 RECOMMENDATIONS

4.1 It is recommended that the Panel note the draft Final Accounts.

ACCESS TO INFORMATION ACT 1985

Final Accounts and Working Papers held in the Accountancy Section

Contact Officer:

Eleanor Smith, Accountancy Manager ☎ 01480 388157

Steve Couper, Head of Financial Services ☎ 01480 388103

EXTERNAL AUDIT RECOMMENDATIONS

Accounting for Fixed Assets - IFRS Restatement

- a) As part of the transition to IFRS accounting, the Council should undertake a thorough review of its fixed asset register to ensure that the restated financial statements accurately present the Council's fixed assets on an appropriate component basis.

The Council has modified its records to support the 2010/11 accounts.

- b) Also in preparation for IFRS all instructions to valuers should be agreed between the Finance Department and the Estates Department to ensure that they meet IFRS accounting requirements and are consistent with previous instructions.

This took place

- c) The Council should review the classification of its assets as part of its IFRS restatement exercise to ensure that they are accounted for in accordance with the appropriate accounting standards.

The Council has undertaken a review

Cut-off date for invoices.

- d) Our testing of additions to fixed assets identified an issue relating to the cut-off of expenditure. Invoices had not been provided to the Finance team promptly and, therefore, had not been included in the correct accounting period. The Council needs to ensure that all departments are aware of the requirements around cut-off and provide financial information to the Finance team on a timely basis, particularly at or around year-end.

April invoices are now reviewed to reduce the likelihood of this occurring

Cedar eFinancials - administrative access.

- e) Management should consider the feasibility of removing powerful administrative access from operational users of Cedar eFinancials to ensure appropriate segregation of duties is maintained in the system. If this is not feasible, then management should consider issuing each super-user two identities. The first identity should have the appropriate access restrictions for the user to perform their day-to-day operational duties. The second administrator identity should be assigned to the user and monitored to ensure actions performed are appropriate and authorised.

The recommendation is not technically possible so the Accountancy Manager reviews the system audit reports which highlight actions which could lead to segregation issues

Network intrusion detection and prevention

- f) The Council should consider implementing an intrusion detection or prevention system.

An Intrusion Detection system is estimated to cost in excess of £50k and if installed would require almost a full time person to monitor, manage and maintain. Whilst the Council accepts there is a risk, the

likelihood of intrusion is low and new firewalls currently being installed will offer more protection

Encryption of wireless networks

g) Management should ensure that plans to upgrade the encryption of the wireless networks from WEP to WPA2 are completed promptly.

The Council is in the process of implementing new firewalls and network infrastructure which will fully meet this requirement by July 2011

Journals

h) Proposal that all journal entries should be independently reviewed.

This proposal is made every year and officers have again reviewed the risk that results from not having them checked.

Journals are only completed by the accountancy team who are experienced and competent. It is therefore considered that, in general, there should still be no independent checking. However, because of the implications for misclassifying items in the accounts it has been decided that journals with a gross value in excess of £100,000 will be reviewed by the Accountancy Manager.

Draft

Statement of Accounts

For the year ended 31 March 2011

| | |
|--|----------------------------|
| Chairman of the Council 2010/11 | Councillor J J Dutton |
| Leader of the Council 2010/11 | Councillor I C Bates |
| Executive Councillor for Finance 2010/11 | Councillor T V Rogers |
| Chief Executive | Mr D Monks |
| Managing Director, Resources | Mr T Parker |
| Auditors | PricewaterhouseCoopers LLP |

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Explanatory Forward

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

The accounts comply with the latest Code of Practice on Local Authority Accounting (The 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 Balance Sheets at March 2009 and 2010 have been restated on this new basis.

Unfortunately many of the terms that the Code requires us to use in these statements are not easily understood by most readers and so there are many explanatory notes throughout the booklet and a glossary at the end.

FINANCIAL STATEMENTS

The Comprehensive Income and Expenditure Statement

This statement shows the true economic cost of providing the authority's services in the line titled 'Total comprehensive expenditure and income' at the bottom of the account. It represents the change in reserves during the year.

Movement in Reserves Statement

This shows the changes during the year in the different reserves held by the authority. 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.

In order to arrive at the variations in reserves that are needed in the year 'Total comprehensive expenditure and income' is transferred from the Comprehensive Income and Expenditure Statement. However, although this represents the true economic cost this is not the amount that Council taxpayers have to fund because there are a number of statutory adjustments that have to be made which significantly reduce the cost and these are shown in the table in note 8. Items removed include depreciation and the deficit on the Pension Fund which will be brought back to balance gradually over a number of years.

Balance Sheet

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

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 we 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 when the assets are sold. Others relate to timing differences such as the accumulated absences account.

Cash Flow Statement

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

The operating activities element highlights the degree to which these activities are funded from taxation, grants and service users. Investing activities represent the extent to which we have invested in assets which will support future service delivery. Cash flows arising from financing activities relate to receipts and payments of financing activities including 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 statutory items that are included in the Comprehensive Income and Expenditure Account

| 2009/10 | Revenue Income and Expenditure | 2010/11 | | |
|----------------|---|----------------|----------------|---------------|
| Actual | | Budget | Outturn | Variation |
| £000 | | £000 | £000 | £000 |
| 84,844 | Gross Expenditure | 76,891 | 79,916 | 3,025 |
| 1,913 | Contribution to Special Reserve | | | 0 |
| -8,098 | Statutory adjustments | 0 | 1,999 | 1,999 |
| 78,659 | | 76,891 | 81,915 | 5,024 |
| | Income and other items | | | |
| -13,343 | Fees and charges | -14,614 | -16,093 | -1,479 |
| -40,409 | Government grants including reimbursement of housing and council tax benefits | -37,809 | -41,795 | -4,366 |
| -1,044 | Investment Income | -620 | -750 | -750 |
| -557 | Trading undertakings surplus (-)/deficit | 0 | 215 | 215 |
| -55,353 | | -52,043 | -58,423 | -6,380 |
| 23,306 | Total to be funded | 24,848 | 23,492 | -1,356 |
| | Funding | | | |
| -7,023 | Council Tax | -7,274 | -7,274 | 0 |
| -2,357 | Revenue support grant | -1,641 | -1,641 | 0 |
| -10,215 | Business Rates from national pool | -11,299 | -11,299 | 0 |
| -49 | Collection Fund Deficit/Surplus (-) | 35 | 35 | 0 |
| -19,644 | | -20,179 | -20,179 | 0 |
| 3,662 | Deficit (-) met from reserves | -4,669 | -3,313 | 1,356 |
| | Revenue Reserves used (-) | | | |
| -3,758 | General Revenue Reserves | -4,669 | -1,948 | 2,721 |
| | Special reserve | 0 | -1,554 | -1,554 |
| 96 | Provision for delayed projects | 0 | 189 | 189 |
| -3,662 | | -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 whole variety of circumstances we have been able to reduce spending so only £3.3M will have to be 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 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 £0.7M. The schemes actually brought forward from 2009/10 were £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 £5.3M 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 (new Customer Services Centre and Offices in St Mary's Street) | 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

General Revenue reserves are now down to £13.6M and Capital reserves are effectively nil with any capital receipts being used to fund expenditure in the year they are received.

The Council's last financial forecast was produced in February and it plans for revenue reserves to fall to £3M (our current estimate of the minimum level required) over the next few years. The lower use in 2010/11 provides some extra flexibility if any of the further savings required cannot be achieved as quickly as planned.

Pension Fund

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 full revaluation this year identified a deficit of £41.4M which is a substantial reduction of £26.6M from the deficit as at 31/3/10. The actuary has assumed that future pension increases will be in line with the consumer prices index (CPI) rather than the retail prices index (RPI); this affects future benefits and is treated as past service credit.

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.

This change in assumption also has an impact on the charge to the income and expenditure account in 2010/11. Under the accounting standard IAS19 there is a credit of £14,369k which should be credited to individual services according to The Code. However it is such a significant item that would distort comparative figures with 2009/10, that it has been treated as an exceptional item in the Comprehensive Income and Expenditure Account. It is reversed out as one of the statutory adjustments so it has no impact on council tax.

CONCLUSION

Lower spending than expected in 2010/11 has enabled £1.3M 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 (a further £2M 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
June 2011

Statement of Accounts approved by the Corporate Governance Panel

Chairman: Cllr E R Butler

September 2011

Statement of Responsibilities

The Authority's Responsibilities

An 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 Director of Commerce and Technology
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the audited accounts by 30 September 2011

The Responsibilities of the Director of Commerce and Technology

In preparing this Statement of Accounts I have

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with The Code
- Kept proper accounting records which were up-to-date
- Taken into account, where appropriate, any post-balance sheet events
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

The accounts present 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
June 2011

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 Note 9 | £000 | £000 | £000 | £000 Note 26 | £000 |
| BALANCE AT 31 MARCH 2009 (restated) | 19,319 | 3,987 | 72 | 192 | 23,570 | 41,482 | 65,052 |
| Movement in reserves during 2009/10 | | | | | | | |
| Deficit on provision of services | -9,738 | | | | -9,738 | 0 | -9,738 |
| Other comprehensive expenditure and income | | | | | 0 | -37,418 | -37,418 |
| Total comprehensive expenditure and income | -9,738 | 0 | 0 | 0 | -9,738 | -37,418 | -47,156 |
| Adjustments between accounting basis and funding basis under regulations (Note 8) | 8,130 | | -72 | 92 | 8,150 | -8,150 | 0 |
| Transfers to/from earmarked reserves and other reserves | -2,150 | 2,150 | | | 0 | 0 | 0 |
| Net increase/decrease before transfers to earmarked reserves | -3,758 | 2,150 | -72 | 92 | -1,588 | -45,568 | -47,156 |
| BALANCE AT 31 MARCH 2010 C/F (restated) | 15,561 | 6,137 | 0 | 284 | 21,982 | -4,086 | 17,896 |
| Movement in reserves during 2010/11 | | | | | | | |
| Deficit on provision of services | -1,878 | | | | 1,878 | 0 | 1,878 |
| Other comprehensive expenditure and income | | | | | 0 | 18,635 | 18,635 |
| Total comprehensive expenditure and income | -1,878 | 0 | 0 | 0 | 1,878 | 18,635 | 16,757 |
| Adjustments between accounting basis and funding basis under regulations | -1,677 | | | 326 | -1,351 | 1,351 | 0 |
| Net increase/decrease before transfers to earmarked reserves | -3,555 | 0 | 0 | 326 | -3,229 | 19,846 | 16,757 |
| Transfers to/from earmarked reserves and other reserves | 1,607 | -1,607 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in Year | -1,948 | -1,607 | 0 | 326 | -3,229 | 19,846 | 16,757 |
| BALANCE AT 31 MARCH 2011 C/F | 13,613 | 4,530 | 0 | 610 | 18,753 | 15,900 | 34,653 |

Comprehensive Income and Expenditure Statement

| 2009/10 restated | | | | 2010/11 | | |
|------------------------------|----------------|----------------------------|---|------------------------------|----------------|----------------------------|
| Gross Expenditure £000 | Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Income £000 | Net Expenditure £000 |
| 11,842 | -6,033 | 5,809 | Cultural and Recreational Services | 18,001 | -7,182 | 10,819 |
| 7,526 | -1,265 | 6,261 | Environmental Services | 8,246 | -1,437 | 6,809 |
| 3,120 | -128 | 2,992 | Refuse Collection | 3,332 | -154 | 3,178 |
| 5,808 | -3,099 | 2,709 | Planning Services | 6,385 | -2,510 | 3,875 |
| 34,888 | -31,241 | 3,642 | Housing Services | 38,435 | -33,248 | 5,187 |
| 3,069 | -1,912 | 1,157 | Highways & Transport Services | 3,053 | -2,059 | 994 |
| 7,994 | -7,794 | 200 | Council Tax Benefits | 8,538 | -8,299 | 239 |
| 1,376 | -486 | 890 | Local Taxation Collection | 1,547 | -581 | 966 |
| 575 | -283 | 292 | Other Central Services | 675 | -252 | 423 |
| 3,837 | -630 | 3,207 | Corporate & Democratic Core | 3,990 | -584 | 3,406 |
| 392 | -923 | -531 | Non-Distributed Costs | 2,083 | -1 | 2,082 |
| 4,422 | 0 | 4,422 | Exceptional Items | -14,369 | 0 | -14,369 |
| 84,844 | -53,794 | 31,050 | Cost of Services (note 13) | 79,916 | -56,307 | 23,609 |
| | | 3,304 | Other Operating Expenditure (Note 10) | | | 3,966 |
| | | 784 | Financing and Investment Income and Expenditure (Note 11) | | | 917 |
| | | -25,400 | Taxation and Non-specific Grant Income (Note 12) | | | -26,614 |
| | | 9,738 | Deficit on provision of services | | | 1,878 |
| | 48 | | Surplus (-) or deficit in the revaluation of non-current assets | | -4,509 | |
| | 37,445 | | Actuarial losses/gains (-) on pension assets and liabilities | | -14,126 | |
| | 16 | | Deficit on Collection Fund | | 0 | |
| | -91 | | Inclusion of leisure centre repair and renewal funds | | 0 | |
| | | 37,418 | Other comprehensive income and expenditure | | | ,-18,635 |
| | | 47,156 | TOTAL COMPREHENSIVE INCOME AND EXPENDITURE | | | -16,757 |

Balance Sheet

| 01 April 2009 | 31 March 2010 | | Notes | 31 March 2011 |
|------------------|------------------|------------------------------|-------|------------------|
| Restated £000 | Restated £000 | | | £000 |
| 54,000 | 56,897 | Property, Plant & Equipment | 15 | 57,209 |
| 14,752 | 15,206 | Investment Property | 16 | 15,631 |
| 2,147 | 2,036 | Intangible Assets | 17 | 1,506 |
| 0 | 250 | Assets Held for Sale | 24 | 250 |
| 15,238 | 10,570 | Long Term Investments | 18 | 11,013 |
| 1,250 | 1,442 | Long Term Debtors | 18 | 1,509 |
| 87,387 | 86,401 | Long Term Assets | | 87,118 |
| 27,925 | 10,124 | Short Term Investments | 18 | 5,007 |
| 107 | 189 | Inventories | 19 | 207 |
| 6,945 | 12,494 | Short Term Debtors | 20 | 5,644 |
| 0 | 87 | Cash and Cash Equivalents | 21 | 0 |
| 34,977 | 22,894 | Current Assets | | 10,858 |
| -1,192 | 0 | Cash and Cash Equivalents | 21 | -203 |
| -6,000 | -4,600 | Short Term Borrowing | 18 | -3,101 |
| -10,154 | -8,401 | Short Term Creditors | 22 | -8,269 |
| -17,346 | -13,001 | Current Liabilities | | -11,573 |
| -10,110 | -10,110 | Long Term Borrowing | 18 | -10,110 |
| -29,856 | -68,288 | Other Long Term Liabilities | 23 | -41,640 |
| -39,966 | -78,398 | Long Term Liabilities | | -51,750 |
| 65,052 | 17,896 | Net Assets | | 34,653 |
| 23,570 | 21,982 | Usable Reserves | | 18,753 |
| 41,482 | -4,086 | Unusable Reserves | 26 | 15,900 |
| 65,052 | 17,896 | Total Reserves | | 34,653 |

Cash Flow Statement

| 2009/10 | | 2010/11 |
|-----------------|---|----------------|
| £000 | | £000 |
| Restated | | |
| -9,738 | Net (surplus) or deficit on the provision of services | -1,878 |
| 6,438 | Adjustments to net surplus or deficit on the provision of services for non cash movements | 7,953 |
| 10,329 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | -6,975 |
| 7,029 | Net cash flows from Operating Activities (Note 29) | -900 |
| -6,281 | Investing Activities (Note 30) | -2,397 |
| 531 | Financing Activities (Note 31) | 3,007 |
| 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 21) | -203 |

Notes to the Accounts

1. Accounting Policies 2010/11

1.1 General Principles

The Statement of Accounts summarise the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 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 authority.

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. Where it is doubtful that bad debts will be settled, the balance of debtors is written down and a charge made to expenditure for the income that might not be collected.

Where the Authority 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 Authority for the agency services provided or the Authority incurs expenses directly on its own behalf in providing the services.

1.3 Cash

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 3 months or less from the investment date and have an 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 Authority's cash management.

1.4 Changes in Accounting Policies 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 on the Authority'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.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

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 fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation (annual charge) of intangible fixed assets attributable to the service.

The Authority 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 amortisations 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 Authority.

An accrual is made against services in the Consolidated Income and Expenditure Account 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. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit 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 Authority 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 Authority 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 Authority by the 31st March

Where termination benefits involve the enhancement of pensions, the contribution to the pension fund is charged to the General Fund over a period of years. However accounting standards require the costs to be debited to the Comprehensive Income and Expenditure Account in one year. Adjustments are made through the Pensions Reserve in the Movement in Reserve Statement

Post Employment Benefits (Pensions)

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority. The accounting policy is to recognise the full liability that the Authority has for meeting the future cost of retirement benefits arising from years of service earned by employees up to the balance sheet date, net of the contributions paid into the fund and the investment income they have generated; this meets the requirements of IAS 19.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, 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.

1.7 Events after the Reporting Period

Events taking place after the 'date of authorisation for issue' (the date of the Corporate Governance Panel that approves the audited accounts) 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 Authority's financial performance. For most purposes 'material' is defined as £1.6m or more.

1.9 Financial Assets

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). These are initially measured at fair value and carried at their amortised costs. 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 assets, which include housing improvement loans and housing advances.

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). It gives rental deposits to tenants which are repaid over a period of up to 2 years. A change in accounting policy has treated these as soft loans for the first time in 2009/10. When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 Income and Expenditure Account is managed by a transfer to the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance thus resulting in no impact on the Council Tax..

1.10 Financial Liabilities

Financial liabilities are initially measured at fair value and are generally carried at their amortised cost. 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

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

1.11 Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Authority are credited to the Comprehensive Income and Expenditure Account if the conditions attaching to the grant or contribution have been met. However if the conditions may require that the grant or contribution is returned, it cannot be credited to the Comprehensive Income and Expenditure Account.

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. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

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 Authority 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.

1.14 Inventories (Stock)

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

1.15 Investment Properties

The Authority does not hold any properties that are used solely to earn rentals or for capital appreciation

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.

The Authority as Lessee

Finance leases. The Council has no finance leases in primary rental. The leases are for industrial units and certain items of equipment leased from Finance Companies. They are capitalised and included in the fixed assets shown on the balance sheet. They are accounted for using the policies applied to tangible fixed assets. The rental payments are apportioned between the finance charge (interest) and the principal element. The finance element of rentals is charged to the revenue account over the term of the lease and the principal element is treated as capital expenditure.

Operating leases. The Council leases cars for individual employees and for pool cars. Operating lease rental is charged to revenue in the year it is payable under the terms of the lease.

The Authority as Lessor

Operating Leases. Where the Authority 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, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement 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-Distributable Costs – for example the cost of discretionary benefits awarded to employees retiring early.

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

FRS15 requires part of the overheads relating to staff time spent on capital projects being 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 Authority 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.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it 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, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost

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

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

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account 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.

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

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 by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or 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

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.

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 Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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 certain 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 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.

1.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation. For instance this includes redundancy payments for staff leaving after the Balance Sheet date, but where their redundancy has been agreed before the Balance Sheet date. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts

1.20 Reserves

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

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, the Capital Adjustment Account, Revaluation Reserve, Financial Instruments Adjustment Account, Collection Fund Adjustment Account and Pensions Reserve, 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
- Capital Grants Unapplied Account – capital grants that have been received but not used to offset expenditure

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 tangible assets. 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, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance.

1.22 VAT

VAT is not included in the Comprehensive Income and Expenditure Account unless it is not recoverable, in which case it is charged to the relevant service. Historically some VAT relating to exempt services has not been recoverable

2. 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 Authority. 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 Authority 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. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

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

| | 2008/09 Published £000 | 2008/09 Restated £000 |
|--|---------------------------------------|--------------------------------------|
| Creditors | 0 | -332 |
| Short-term accumulating compensated absences account | 0 | 332 |

1 April 2010 Balance Sheet

| | 2009/10 Published £000 | 2009/10 Restated £000 |
|--|---------------------------------------|--------------------------------------|
| Creditors | 0 | -351 |
| Short-term accumulating compensated absences account | 0 | 351 |

2009/10 Comprehensive Income and Expenditure Statement

| | 2009/10 Published £000 | 2009/10 Restated £000 |
|------------------------------------|---------------------------------------|--------------------------------------|
| Cultural and Recreational Services | 5,808 | 5,809 |
| Environmental Services | 6,258 | 6,261 |
| Refuse Collection | 2,992 | 2,992 |
| Planning Services | 2,701 | 2,709 |
| Housing Services | 3,635 | 3,642 |
| Highways and Transport Services | 1,159 | 1,157 |
| Council Tax Benefits | 200 | 200 |
| Local Taxation Collection | 890 | 890 |
| Other Central Services | 292 | 292 |
| Corporate & Democratic Core | 3,202 | 3,207 |
| Non-Distributed Costs | -531 | -531 |
| Exceptional Items | 4,422 | 4,422 |
| Cost of Services | 31,028 | 31,050 |

Government Grants

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.

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

Opening 1 April 2009 Balance Sheet:

| | 2009/10 Published £000 | 2009/10 Adjustment £000 | 2009/10 Other adjustments £000 | 2009/10 Restated £000 |
|---------------------------------------|---------------------------------------|--|---|--------------------------------------|
| Government Grants Deferred Account | -2,616 | 2,616 | | 0 |
| Capital Adjustment Account | -52,752 | -2,616 | -2,276 | -57,644 |

Depreciation

Under the Code which applied to the 2009/10 accounts, the accounts should have reflected the difference between the depreciation based on the historic cost of long-term assets and that based on fair value. The restated balance sheet as at 31 March 2010 now reflects this adjustment of £1,533k

Other adjustments

The opportunity has been taken to restate the balance sheet as at 1 April 2009 and 1 April 2010 for minor changes to accounting for assets

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 following asset will be treated as a heritage asset:

Castle Hill House, Huntingdon.

This is a Grade II listed building which was used as office accommodation but is currently vacant. The reclassification will not change the valuation of the asset as it is at fair value based on market value. Its carrying value in the accounts as at 31 March 2011 is £600k (PPE £450k, land £150k).

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 Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Although there is some uncertainty about future levels of funding for local government, the Authority 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 Authority about the future or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority'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 Authority 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. There is no impact on council tax immediately, but the burden on future taxpayers will increase |
| 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 Authority 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 £12,083k. A 1 year increase in life expectancy would result in an increase in pension liability of £3,707k |

| | | |
|---------|---|--|
| Arrears | At 31 March 2011, the Authority had a balance of sundry debtors for £984k. A provision has been made in future years' budgets to increase the impairment of doubtful debts. 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 impairment of doubtful debts would require an additional £69k to set aside as an allowance. |
|---------|---|--|

6. Material Items of Income and Expense

- a) Pensions. The credit to services for pension costs of £14,369k under IAS18 includes a large credit for past service cost of pensions. This should be credited to individual services according to The Code. However it is such a significant item that would distort comparative figures with 2009/10, that it has been treated as an exceptional item in the Comprehensive Income and Expenditure Account. It is reversed out as one of the statutory adjustments so it has no impact on council tax.
- b) Impairment. The expenditure on cultural and recreational services include £5.2M of impairment which is a capital charge arising from the cost of the capital works at One Leisure; it is reversed as one of the statutory adjustments so it has no impact on council tax.

7. Events after the Balance Sheet Date

None are anticipated

8. Movement in Reserves Statement - adjustments between accounting basis and funding basis under regulations

This note explains the items included in or excluded from the comprehensive income and expenditure account 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 | | | | Movement in Useable Reserves |
|--|----------------------------|--------------------------------|--------------------------------|-----------------------|------------------------------------|
| | General Fund balance | Capital receipts reserve | Capital Grants Unapplied | Earmarked Reserves | |
| | £000 | £000 | £000 | £000 | |
| Adjustments involving the Capital Adjustment Account: | | | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | | |
| Charges for depreciation and impairment of non current assets | 10,839 | | | | -10,839 |
| Revaluation losses on Property, Plant and Equipment | -55 | | | | 55 |
| Capital grants and contributions applied | -1,721 | | | | 1,721 |
| Capital grants receivable and unapplied in year | -326 | | 326 | | 0 |
| Revenue expenditure funded from capital under statute | 2,939 | | | | -2,939 |
| Carrying amount of non current assets sold | 30 | | | | -30 |
| Loans/Lease principal repayments during the year | 17 | | | | -17 |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | | |
| Minimum revenue provision for capital funding | -246 | | | | 246 |
| Adjustments involving the Capital Receipts Reserve: | | | | | |
| Use of the capital receipts reserve to finance new capital expenditure | | -252 | | | 252 |
| Proceeds from sale of non current assets | -254 | 254 | | | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | 2 | -2 | | | 0 |
| Adjustment involving the Earmarked reserve (S106) | | | | | |
| Use of S106 monies to finance capital expenditure | | | | -315 | 315 |
| 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 | | | | -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 47) | -8,743 | | | | 8,743 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | -3,741 | | | | 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 | | | | 105 |
| Adjustment involving the Accumulated Compensated Absences Adjustment Account | | | | | |
| Adjustments in relation to short-term compensated absences | -6 | | | | 6 |
| Total Adjustments | -1,677 | 0 | 326 | -315 | 1,666 |

2009/10 Comparative Figures

| | Useable Reserves | | | Movement in Useable Reserves |
|--|----------------------------|--------------------------------|--------------------------------|---------------------------------------|
| | General Fund balance | Capital receipts reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 |
| Adjustments involving the Capital Adjustment Account: | | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| Charges for depreciation and impairment of non current assets | 8,154 | | | -8,154 |
| Revaluation losses on Property, Plant and Equipment | 40 | | | -40 |
| Capital grants and contributions applied | -1,566 | | | 1,566 |
| Capital grants receivable and unapplied in year | -92 | | 92 | 0 |
| Revenue expenditure funded from capital under statute | 1,428 | | | -1,428 |
| Carrying amount of non current assets sold | 189 | | | -189 |
| Loans/Lease principal repayments during the year | -49 | | | 49 |
| Adjustment | -40 | | | 40 |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| Minimum revenue provision for capital funding | -3 | | | 3 |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Use of the capital receipts reserve to finance new capital expenditure | | -895 | | 895 |
| Proceeds from sale of non current assets | -823 | 823 | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | 3 | -3 | | 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 | | | 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 47) | 4,263 | | | -4,263 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | -3,377 | | | 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 | | | 1 |
| Adjustment involving the Accumulated Compensated Absences Adjustment Account | | | | |
| Adjustments in relation to short-term compensated absences | 19 | | | -19 |
| Total Adjustments | 8,130 | -75 | 92 | -8,147 |

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 posted back from earmarked reserves to meet General Fund and capital expenditure

| | 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 |
| Commutted S106 payments reserve | 1,199 | 43 | -103 | 1,139 | 1 | -116 | 1,024 |
| Repairs and renewals funds | 1,065 | 139 | -24 | 1,180 | 151 | -452 | 879 |
| Delayed projects reserve | 274 | 96 | 0 | 370 | 189 | 0 | 559 |
| Special reserve | 0 | 1,913 | 0 | 1,913 | 0 | -1,554 | 359 |
| Other reserves | 272 | 12 | 0 | 284 | -9 | -2 | 273 |
| Collection Fund | 23 | 0 | -23 | 0 | 0 | 0 | 0 |
| Housing Grants | 0 | 0 | 0 | 0 | 50 | 0 | 50 |
| Total | 3,987 | 2,366 | -216 | 6,137 | 832 | -2,439 | 4,530 |

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 | -224 | -634 |
| Total | 3,966 | 3,304 |

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

| | 2010/11 | 2009/10 |
|---|----------------|----------------|
| | £000 | £000 |
| Interest payable and similar charges | 414 | 476 |
| Pensions interest cost and expected return on pensions assets | 1,885 | 2,352 |
| Interest receivable and similar income | -757 | -1,521 |
| Income and expenditure in relation to investment properties and changes in their fair value | -620 | -477 |
| Other investment income from trading operations | -5 | -46 |
| Total | 917 | 784 |

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

| | 2010/11 | 2009/10 |
|----------------------------------|----------------|----------------|
| | £000 | £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 | 2,047 | 1,658 |
| Total | 26,614 | 25,400 |

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

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 (following February) and actual net expenditure (July).

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

To be completed

| 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 | | | | | | | |
| Government grants | | | | | | | |
| Total income | | | | | | | |
| Employee expenses | | | | | | | |
| Other service expenses | | | | | | | |
| Support service recharges | | | | | | | |
| Total operating expenses | | | | | | | |
| Recharges to other accounts | | | | | | | |
| Net expenditure | | | | | | | |

| 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 | -7,070 | -16,684 |
| Government grants | 0 | -79 | -30,640 | -8,184 | 0 | -1,285 | -40,188 |
| Total income | -1,297 | -6,514 | -31,542 | -8,860 | -304 | -8,355 | -56,872 |
| 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 | 623 | 53,357 |
| 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 | 6,638 | 106,971 |
| 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 | 2010/11 |
|---------------|---|
| £000 | £000 |
| 21,393 | Net expenditure in service analysis |
| 4,470 | Amounts in the Comprehensive Income and Expenditure Statement not reported to management |
| -5,186 | Amounts reported to management not included in net cost of services section of the Comprehensive Income and Expenditure Account |
| 31,050 | Net cost of services in Comprehensive Income and Expenditure Account |

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 I and E '£000 | Net cost of services '£000 | Corporate amounts '£000 | TOTAL '£000 |
|--|---------------------------|-------------------------------------|----------------------------------|-------------------------------|----------------------------|----------------|
| Fees, charges and other income | | | | | | |
| Interest and investment income | | | | | | |
| Income from Council tax | | | | | | |
| Government Grants and Contributions | | | | | | |
| Total income | | | | | | |
| Employee expenses | | | | | | |
| Other operating expenses | | | | | | |
| Support service recharges | | | | | | |
| Recharges to other accounts | | | | | | |
| Depreciation and impairment | | | | | | |
| Interest payments | | | | | | |
| Precepts and levies | | | | | | |
| Payments to housing capital receipts pool | | | | | | |
| Gain or loss on disposal of fixed assets | | | | | | |
| Total operating expenses | | | | | | |
| Surplus or deficit on the provision of services | | | | | | |

| 2009/10 comparative figures | Service Analysis '£000 | Not reported to management '£000 | Not included in I and E '£000 | Net cost of services '£000 | Corporate amounts '£000 | TOTAL '£000 |
|--|---------------------------|-------------------------------------|----------------------------------|-------------------------------|----------------------------|----------------|
| Fees, charges and other income | -16,684 | | | -16,684 | | -16,684 |
| Interest and investment income | | | | | -1,521 | -1,521 |
| Income from Council tax | | | | | -10,986 | -10,986 |
| Government Grants and Contributions | -40,188 | | | -40,188 | -14,034 | -54,130 |
| Total income | -56,872 | | | -56,872 | -26,541 | -83,321 |
| Employee expenses | 26,679 | 19 | | 26,698 | | 26,698 |
| Other operating expenses | 53,371 | | 253 | 53,615 | 1,449 | 55,059 |
| Support service recharges | 26,935 | | | 26,935 | | 26,935 |
| Recharges to other accounts | -28,706 | | | -28,706 | | -28,706 |
| Depreciation and impairment | | 4,451 | 4,934 | 9,385 | | 9,385 |
| Interest payments | | | | | 476 | 476 |
| Precepts and levies | | | | | 3,915 | 3,915 |
| Payments to housing capital receipts pool | | | | | 3 | 3 |
| Gain or loss on disposal of fixed assets | | | | | -614 | -614 |
| Total operating expenses | 78,265 | 4,470 | 5,187 | 87,922 | 5,229 | 93,059 |
| Surplus or deficit on the provision of services | 21,393 | 4,470 | 5,187 | 31,050 | -120,932 | 9,738 |

14. Grant Income

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

| | 2010/11 £000 | 2009/10 £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 | 55,373 | 53,745 |

15. Property, Plant and Equipment

Movements on Balances

| Movements in 2010/11 | Other Land and Buildings £000 | Vehicles, Plant, furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|-------------------------------------|--|----------------------------------|-----------------------------|------------------------|--------------------------------------|---|
| Cost or Valuation | | | | | | | |
| At 1 April 2010 | 38,746 | 11,448 | 10,016 | 1,406 | | 1,019 | 62,635 |
| Additions | 2,729 | 1,582 | 364 | | | 1,399 | 6,074 |
| Donations | | | | | | | |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 4,509 | | | | | | 4,509 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 55 | | | | | | 55 |
| Derecognition - Disposals | | -447 | | | | | -447 |
| Derecognition - Other | -7,366 | 0 | -15 | | | -738 | -8,119 |
| Assets reclassified (to)/from Held for Sale | 457 | 15 | 118 | | | -1,019 | -429 |
| Other movements in Cost or Valuation | | | | | | | |
| At 31 March 2011 | 39,130 | 12,598 | 10,483 | 1,406 | | (661) | 64,278 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2010 | 811 | 3,655 | 1,272 | | | | 5,738 |
| Depreciation charge | 976 | 1,476 | 460 | | | | 2,912 |
| Depreciation written out to the Revaluation Reserve | | | | | | | |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | | | | | | | |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | | | | | | | |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 6,217 | | | | | | 6,217 |
| Derecognition - Disposals | | -417 | | | | | -417 |
| Derecognition - Other | -7,366 | | -15 | | | | -7,381 |
| Other movements in Depreciation and Impairment | | | | | | | |
| At 31 March 2011 | 638 | 4,714 | 1,717 | | | | 7,069 |
| Net Book Value | | | | | | | |
| At 31 March 2011 | 38,492 | 7,884 | 8,766 | 1,406 | 0 | 661 | 57,209 |
| At 31 March 2010 | 37,935 | 7,793 | 8,744 | 1,406 | 0 | 1,019 | 56,897 |

| Comparative Movements in 2009/10 | | | | | | | |
|--|---------------------------------|---|------------------------------|-------------------------|-----------------------|----------------------------------|--|
| | Other Land and Buildings | Vehicles, Plant, furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | |
| At 1 April 2009 | 30,445 | 10,592 | 9,325 | 1,406 | 1,548 | 3,125 | 56,441 |
| Adjustments between cost/value & depreciation/impairment | 2,793 | | | | -1548 | | 1,245 |
| Additions | 8,246 | 1,454 | 427 | | | 690 | 10,817 |
| Revaluation Reserve | -14 | | | | -34 | | -48 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | | | | | | | |
| Derecognition - Disposals | -120 | -778 | -67 | | | | -965 |
| Derecognition – Other | -4,488 | | | | | | -4,488 |
| Reclassifications & Transfers | | | | | 284 | | 284 |
| Reclassified to Held for Sale | -326 | | | | -250 | | -250 |
| Assets reclassified (to)/from assets under construction | 2,210 | 180 | 331 | | | -2,796 | -75 |
| Other movements in Cost or Valuation | | | | | | | |
| At 31 March 2010 | 38,476 | 11,448 | 10,016 | 1,406 | 0 | 1,019 | 62,635 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2009 | 0 | 2,826 | 860 | | | | 3,686 |
| Depreciation charge | 776 | 1,573 | 479 | | | | 2,828 |
| Depreciation written out to the Revaluation Reserve | | | | | | | |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | | | | | | | |
| Surplus or Deficit on the Provision of Services | 4,488 | | | | | | 4,488 |
| Derecognition - Disposals | 35 | -744 | -67 | | | | -776 |
| Derecognition – Other | -4,488 | | | | | | -4,488 |
| At 31 March 2010 | 811 | 3,655 | 1,272 | | | | 5,738 |
| Net Book Value | | | | | | | |
| At 31 March 2010 | 37,935 | 7,793 | 8,744 | 1,406 | 0 | 1,019 | 56,897 |
| At 31 March 2009 | 33,238 | 7,766 | 8,465 | 1,406 | 0 | 3,125 | 54,000 |

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 2011 were £3.5m

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

Revaluations

All assets 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 and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews on the basis of market value or depreciated replacement cost as appropriate.

16. Investment Properties

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

| | 2010/11 £,000 | 2009/10 £,000 |
|---------------------------------------|------------------|------------------|
| Income including rental income | (924) | (715) |
| Expenditure | 1,144 | 198 |
| Net income from investment properties | 220 | (517) |

The movement investment properties balances during the year

| | 2010/11 £000 | 2009/10 £000 |
|--|-----------------|-----------------|
| Balance at start of the year | 15,206 | 14,752 |
| Additions: | | |
| Purchases | 836 | 414 |
| Disposals | 0 | 0 |
| Net gains/losses from fair value adjustments | (840) | 0 |
| Other changes | 429 | 40 |
| Balance at end of the year | 15,631 | 15,206 |

There are no restrictions on the Authority's ability to realise the value inherent in the investment properties or the Authority'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

The following investment properties are held as leases:

| | |
|--|-----------------|
| Phoenix Court, Huntingdon | Finance lease |
| Units 1A-1E and 5-10 High Lode Industrial Estate, Ramsey | Operating lease |
| Creative Exchange, St Neots | Operating lease |

17. Intangible Assets

The Authority 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 Authority. The useful lives assigned to software are generally 4 or 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. 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 | 73 | 4,487 | 4,560 | 0 | 4,441 | 4,441 |
| Accumulated amortisation | -8 | -2,516 | -2,524 | 0 | -2,294 | -2,294 |
| Net carrying amount at start of year | 65 | 1,971 | 2,036 | 0 | 2,147 | 2,147 |
| Additions: | | | | | | |
| Internal development | 27 | 0 | 27 | 57 | 0 | 57 |
| Purchases | 0 | 313 | 313 | 0 | 595 | 595 |
| Assets reclassified as held for sale | | | | 16 | 59 | 75 |
| Other disposals | 0 | -711 | -711 | 0 | -608 | -608 |
| Revaluations increases or decreases | | | | | | |
| Amortisation for the period | -15 | -855 | -870 | -8 | -830 | -838 |
| Reversal of amortisation on disposals | 0 | 711 | 711 | | 608 | 608 |
| Other changes | | | | | | |
| Net carrying amount at end of year | 77 | 1,429 | 1,506 | 65 | 1,971 | 2,036 |
| Comprising: | | | | | | |
| Gross carrying amounts | 100 | 4,089 | 4,189 | 73 | 4,487 | 4,560 |
| Accumulated amortisation | -23 | -2,660 | -2,683 | -8 | -2,516 | -2,524 |
| | 77 | 1,429 | 1,506 | 65 | 1,971 | 2,036 |

18. 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 | | | |
| Financial assets carried at contract amounts | | | | 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 | 10,110 | 10,110 | 10,110 | 3,101 | 4,600 | 6,000 |
| Total borrowings | 10,110 | 10,110 | 10,110 | 3,101 | 4,600 | 6,000 |
| Creditors | | | | | | |
| Financial liabilities carried at contract amount | | | | 8,269 | 8,401 | 10,154 |
| Total creditors | 0 | 0 | 0 | 8,269 | 8,401 | 10,154 |

Gains and losses on income and expense

| | 2010/11 | | | 2009/10 | | |
|---|---|--------------------------------|--------------|---|--------------------------------|----------------|
| | Financial Liabilities | Financial Assets | Total | Financial Liabilities | Financial Assets | Total |
| | Liabilities measured at amortised cost £,000 | Loans and receivables £,000 | | Liabilities measured at amortised cost £,000 | Loans and receivables £,000 | |
| Interest expense | 414 | - | 414 | 476 | - | 476 |
| Total expense in Surplus or Deficit on the Provision of Services | 414 | 0 | 414 | 476 | 0 | 476 |
| Interest income | - | (757) | (757) | - | (1,521) | (1,521) |
| Total income in Surplus or Deficit on the Provision of Services | 0 | (757) | (757) | 0 | (1,521) | (1,521) |
| Net gain/(loss) for the year | 414 | (757) | (343) | 476 | (1,521) | (1,045) |

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 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 trade and other receivables 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 | -21,480 | -20,910 | -23,111 | -22,515 |
| Assets | | | | |
| Loans and receivables | 21,664 | 21,506 | 33,188 | 33,173 |
| Long-term debtors | 1,509 | 1,367 | 1,442 | 1,289 |

19. Inventories

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

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

20. Debtors

| | Long Term Debtors | | | Short Term Debtors | | |
|-------------------------------------|-------------------|-----------------|-----------------|--------------------|-----------------|-----------------|
| | 2010/11 £000 | 2009/10 £000 | 2008/09 £000 | 2010/11 £000 | 2009/10 £000 | 2008/09 £000 |
| Government Departments | | | | 676 | 1,567 | 2,055 |
| NNDR | 0 | 0 | 0 | 1,129 | 5,087 | 0 |
| Other Local Authorities | 0 | 0 | 0 | 1,016 | 2,265 | 1,728 |
| Local taxation | 0 | 0 | 0 | 339 | 330 | 1,194 |
| General debtors | 0 | 0 | 0 | 3,751 | 4,356 | 2,862 |
| Prepayments | 0 | 0 | 0 | 581 | 515 | 401 |
| Other | 1,509 | 1,442 | 1,250 | | | |
| Impairment of loans and receivables | 0 | 0 | 0 | -1,848 | -1,626 | -1,295 |
| Total | 1,509 | 1,442 | 1,250 | 5,644 | 12,494 | 6,945 |

21. Cash and Cash Equivalents

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

22. Short-Term Creditors

| | 2010/11 £000 | 2009/10 £000 | 2008/09 £000 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Central government bodies | 1,125 | 1,007 | 1,032 |
| Public authorities | 1,081 | 1,260 | 1,351 |
| NNDR pool | 0 | 0 | 1,504 |
| Leisure Centre Management Committees | 0 | 0 | 158 |
| Accumulated Absences | 345 | 351 | 332 |
| Receipts in advance | 628 | 1,001 | 0 |
| Other including trade creditors | 5,090 | 4,782 | 5,777 |
| Total | 8,269 | 8,401 | 10,154 |

23. Other long-term liabilities

| | 2010/11 | 2009/10 | 2008/09 |
|--------------------------|---------------|---------------|---------------|
| | £000 | £000 | £000 |
| Pension scheme liability | 41,437 | 68,047 | 29,716 |
| Other | 203 | 241 | 140 |
| Total | 41,640 | 68,288 | 29,856 |

24. Assets Held for Sale

The only asset held for sale as at 31 March 2011 is land which was previously the former Fire Station and Waste Recycling Centre at St Neots. It is valued at £250k. It was held in the accounts as held for sale as at 31 March 2010 but the sale did not take place in 2010/11

25. Usable Reserves

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

26. Unusable Reserves

| | 2010/11 | 2009/10 | 2008/09 |
|--|---------------|---------------|---------------|
| | £000 | £000 | £000 |
| Revaluation Reserve | 11,430 | 6,866 | 8,348 |
| Capital Adjustment Account | 46,353 | 57,644 | 63,403 |
| Financial Instruments Adjustment Account | -207 | -199 | -214 |
| Pensions Reserve | -43,437 | -68,047 | -29,716 |
| Collection Fund Adjustment Account | 106 | 1 | -7 |
| Accumulated Absences Account | -345 | -351 | -332 |
| Total Unusable Reserves | 15,900 | -4,086 | 41,482 |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the depreciation, impairment and revaluation under IFRS, and under statutory provisions.

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

| | 2010/11 | | 2009/10 | |
|--|---------|----------------|---------|---------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | 57,644 | | 63,403 |
| 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 | -10,839 | | -8,194 | |
| Revaluation losses on Property, Plant and Equipment | 55 | | 40 | |
| Amortisation of intangible assets | | | | |
| Revenue expenditure funded from capital under statute | -2,939 | | -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 | -30 | | -189 | |
| | | -13,753 | | -9,771 |
| Adjusting amounts written out of the Revaluation Reserve | | -55 | | 1,499 |
| | | -13,808 | | -8,272 |
| Net written out amount of the cost of non current assets consumed in the year | | | | |
| Capital financing applied in the year: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 252 | | 895 | |
| Use of the earmarked S106 reserve | 315 | | 0 | |
| Loans Lease principal repayments | -17 | | 49 | |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 1,721 | | 1,566 | |
| Statutory provision for the financing of capital investment charged against the General Fund | 246 | | 3 | |
| | | 2,517 | | 2513 |
| Balance at 31 March | | 46,353 | | 57,644 |

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

| | 2010/11 | 2009/10 |
|---|---------------|--------------|
| | £000 | £000 |
| Balance at 1 April | 6,866 | 8,348 |
| Upward revaluation of assets | 4,509 | |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | | -48 |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 11,375 | 8,300 |
| Difference between fair value depreciation and historical cost depreciation | 55 | -1,434 |
| Balance at 31 March | 11,430 | 6,866 |

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.

| | 2010/11 | 2009/10 |
|---|------------|------------|
| | £000 | £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 debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority 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

| | 2010/11 | 2009/10 |
|--|---------------|---------------|
| | £000 | £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 | -12,484 | 886 |
| Balance at 31 March | 41,437 | 68,047 |

Collection Fund Adjustment Account

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

| | 2010/11 | 2009/10 |
|--|-------------|-----------|
| | £000 | £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 Compensation Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year 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.

| | 2010/11 | 2009/10 |
|---|------------|------------|
| | £000 | £000 |
| Balance at 1 April | 351 | 332 |
| Settlement or cancellation of accrual made at the end of the preceding year | -351 | -332 |
| Amounts accrued at the end of the current year | 345 | 351 |
| Balance at 31 March | 345 | 351 |

27. Leases

Authority as Lessee

Finance Leases

Historically the Council occasionally used finance leases to meet the cost of industrial units, vehicles, plant and equipment. There are only two leases remaining for industrial units and they are in a secondary stage. The assets held under finance leases are accounted for as a part of property, plant and equipment in the balance sheet. There were no finance charges allocated for the period 2010/11

Outstanding obligations (excluding finance costs) at 31 March 2011, accounted for as part of long-term liabilities, are as follows:

| 1 April 2010 £000 | | 31 March 2011 £000 |
|------------------------------|--|-------------------------------|
| | 1 Other Land and Buildings | 1 |
| | 0 Vehicles, Plant, Furniture and Equipment | 0 |
| <hr/> | | <hr/> |
| 1 | | 1 |

Operating Leases

The Authority has acquired its pool cars and cars for individual members of staff by entering into operating leases of 3 or 4 years. The operating lease payments made in the year, are as follows:

| 1 April 2010 £000 | | 31 March 2011 £000 |
|------------------------------|---|-------------------------------|
| | 0 Other Land and Buildings | 0 |
| | 98 Vehicles, Plant, Furniture and Equipment | 87 |
| <hr/> | | <hr/> |
| 98 | | 87 |

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

| 1 April 2010 £000 | | 31 March 2011 £000 |
|------------------------------|--|-------------------------------|
| | 9 Not later than one year | 12 |
| | 73 Later than one year and not later than five years | 67 |
| | 0 Later than five years | 0 |
| <hr/> | | <hr/> |
| 82 | | 79 |

Authority as Lessor

Operating Leases

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

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

| 1 April 2010 £000 | | 31 March 2011 £000 |
|------------------------------------|---|-------------------------------------|
| 17 | Not later than one year | 34 |
| 502 | Later than one year and not later than five years | 457 |
| 0 | Later than five years | 0 |
| <hr/> 519 | | <hr/> 491 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There are no contingent rents

28. Impairment Losses

During 2010/11 the Authority recognised an impairment loss of £7,057k on property, plant and equipment and investment properties. This mostly, £6,925k, relates to capital expenditure not reflecting any increase in asset values. The impairment loss has been charged to the appropriate service line in the Comprehensive Income and Expenditure Account. There are no impairment losses on intangible assets.

29. Cash Flow Statement – Operating Activities (Interest)

The cash flows for operating activities include the following items:

| | 2010/11 £000 | 2009/10 £000 |
|-------------------|-------------------------------|-------------------------------|
| Interest received | -2,471 | -1,173 |
| Interest paid | 414 | 476 |

30. Cash Flow Statement – Investing Activities

| | 2010/11 | 2009/10 |
|--|--------------|--------------|
| | £000 | £000 |
| Purchase of property, plant and equipment, investment property and intangible assets | 10,081 | 11,897 |
| Purchase of short-term and long-term investments | 0 | 0 |
| Other payments for investing activities | 92 | 248 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -254 | -826 |
| Proceeds from short-term and long-term investments | -5,000 | -5,038 |
| Other receipts from investing activities | -2,522 | 0 |
| Net cash flows from investing activities | 2,397 | 6,281 |

31. Cash Flow Statement – Financing Activities

| | 2010/11 | 2009/10 |
|---|---------------|-------------|
| | £000 | £000 |
| Other receipts from financing activities | -4,506 | -531 |
| Repayments of short- and long-term borrowing | 1,499 | 0 |
| Net cash flows from financing activities | -3,007 | -531 |

32. Trading Operations

The following items are defined as trading undertakings by the Code

| | 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 |
| Other | 19 | -19 | 0 | 0 | 0 | 0 |
| Total | 175 | -180 | -5 | 145 | -906 | -264 |

33. 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.

Related parties include Councillors, Chief Officers, Central Government and other Local Authorities. Government grants are analysed in note 14. The Council collects council tax on behalf of the precepting authorities on an agency basis, and similarly acts as an agent in collecting national non domestic rates for Central Government. A number of the elected members are also members of Cambridgeshire County Council and Town and Parish Councils.

In 2009/10 the Council introduced a scheme of allowing Parish Councils to deposit surplus funds with the Council. Only one Parish has deposited £100k and one Member of the Council is also a Councillor of that Parish Council. No other material transactions have been identified for disclosure that are not reported elsewhere in these Accounts

34. Members' Allowances

| | 2010/11 £000 | 2009/10 £000 |
|------------|-----------------|-----------------|
| Allowances | 398 | 394 |
| Expenses | 48 | 52 |
| | 446 | 446 |

35. 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 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 | 1 | 2 |
| £65,000 - <£70,000 | 1 | 2 |
| £70,000 - <£75,000 | 5 | 6 |
| £75,000 - <£80,000 | 2 | 2 |
| £80,000 - <£85,000 | | |
| £85,000 - <£90,000 | 1 | |
| £90,000 - <£95,000 | | |
| £95,000 - <£100,000 | 1 | |
| £100,000 - <£105,000 | 3 | 2 |
| £105,000 - <£110,000 | | 1 |
| £110,000 - <£115,000 | 1 | |
| £175,000 - <£180,000 | | 1 |
| £190,000 - <£195,000 | 1 | |
| Total | 38 | 37 |

Remuneration for Senior Employees Note these are new figures

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 | Salary including allowances and fees | Bonus (1) | Benefits in kind | Total remuneration | Employer pension contributions | Remuneration including pension contributions |
|--|-----------------------------|---------------|--------------------------------------|-----------|------------------|--------------------|--------------------------------|--|
| | £ | | £ | £ | £ | £ | £ | £ |
| Chief Executive (David Monks) | 149,410 | 31,846 | 181,256 | | 11,039 | 192,295 | 36,341 | 228,636 |
| Director of Central Services | 93,316 | 1,370 | 94,686 | | 5,277 | 99,963 | 18,486 | 118,449 |
| Director of Commerce and Technology | 94,480 | | 94,480 | 4,064 | 1,507 | 100,051 | 18,486 | 118,537 |
| Director of Environment and Community Services | 91,597 | | 91,597 | 4,064 | 6,475 | 102,136 | 18,486 | 120,622 |

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| 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 | | 94,985 | 5,418 | 1,507 | 101,910 | 16,674 | 118,584 |
| Director of Environment and Community Services | 91,727 | | 91,727 | 5,418 | 6,475 | 103,620 | 16,674 | 120,294 |

Note: 1. The bonus includes a payment for 2009/10 and a retrospective payment for 2008/09

36. External Audit Costs

| | 2010/11 | 2009/10 |
|---------------------------|------------|------------|
| | £000 | £000 |
| External audit | 123 | 103 |
| Grant claim certification | 23 | 18 |
| Statutory inspections | 9 | 8 |
| National Fraud Initiative | 0 | 1 |
| | 155 | 130 |

37. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11 as a result of voluntary redundancy, incurring liabilities of £441k (£0 in 2009/10). The Authority has approved the voluntary redundancy of a further 29 employees who will leave during 2010/11. The estimated expense of £1,113k has been included in the comprehensive income and expenditure account for 2010/11, and the liability is included in the balance sheet as a creditor.

38. Contingent Assets

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

39. 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.
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.
6. The Authority has settled a claim for negligence from an ex-employee. There is a dispute between two insurance companies that covered the Council during the relevant periods over which is liable to meet this claim. The dispute was heard by the High Court and as a result the Council has received a payment from one insurance company of £200k. However, the company has appealed the decision and whilst there is a realistic prospect that the original decision will be upheld, the Court of Appeal or the House of Lords might reverse the decision. The Council would then have to repay the monies but there is a reasonable possibility that the other insurance company would then become liable.
7. 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.

40. Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay sums due
- Liquidity risk – the possibility that the Authority 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

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 Authority 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. These documents address the risks associated with investments.

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. 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 bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

Liquidity risk

A substantial proportion of its investments are short-term deposits which mature within a year. In addition, as the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The PWLB loan has the following maturity profile:

| £000 | Date borrowed | Repayment date |
|-------------|----------------------|-----------------------|
| 5,000 | 19 Dec 2008 | 19 Dec 2057 |
| 5,000 | 19 Dec 2008 | 19 Dec 2058 |

Market risk

The Authority has minimal exposure to market risk because its investments and loans are at fixed rates of interest

Price risk and foreign exchange risk are not applicable

Collection Fund

| 2009/10 | | | | 2010/11 | |
|---------------------------------|----------|--|------|---------|----------|
| £000 | £000 | | Note | £000 | £000 |
| INCOME | | | | | |
| -75,853 | | Council Tax before transfers | 5 | -79,013 | |
| | | Transfers from General Fund | | | |
| -7,394 | | - Council Tax benefits | | -7,859 | |
| -1 | | - Transitional relief | | 0 | |
| -51,368 | | - Income from business ratepayers | 6 | -50,869 | |
| 0 | | Contribution towards previous years Collection Fund deficit | | -265 | |
| | -134,616 | | | | -138,006 |
| EXPENDITURE | | | | | |
| 82,709 | | Precepts and demands | 4 | 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

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

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 IAS19

2 The Pension Scheme

Employees of Huntingdonshire District Council may participate in the Cambridgeshire County Council 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 authority 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 on 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 Retirement Benefits

Whilst the Net Cost of Services takes account of the cost of retirement benefits accruing to employees, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account, and the Statement of Movement in the General fund Balance during the year:

5. Income and Expenditure Account

| | 2009/10 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Net Cost of Services: | | |
| Current Service Cost | 1,897 | 3,552 |
| Past Service Costs/gain (-) | 0 | -14,209 |
| Losses on Settlements and Curtailments | 14 | 29 |
| Net Operating Expenditure: | | |
| Interest Cost | 6,036 | 7,434 |
| Expected Return on Scheme Assets | -3,684 | -5,549 |
| Net Charge to the Income and Expenditure Account | 4,263 | -8,743 |
| Actual Return on Plan Assets | 18,966 | 5,009 |
| Statement of Movement in the General Fund Balance: | | |
| Reversal of net charges made for retirement benefits in accordance with FRS17 | -4,263 | 8,743 |
| Actual amount charged against the General Fund Balance for Pensions in the Year: | | |
| Employer's contributions to the scheme | 3,377 | 3,741 |

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £14.126m (£37.445m actuarial losses 2009/10) were included in the Statement of Total Recognised Gains and Losses (see table below). The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses being £37.838m.

6. Amount recognised in the Statement of Total Recognised Gains and Losses

| | 31 March 2010 | 31 March 2011 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Actuarial Gains/Losses (-) | -37,445 | 14,126 |
| Cumulative Actuarial Gains/Losses (-) | -51,964 | -37,838 |

7. Assets and Liabilities in relation to pension fund

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

| | 31 March 2010 £000 | 31 March 2011 £000 |
|------------------------------------|-----------------------|-----------------------|
| Opening liability | 87,593 | 146,133 |
| Current service cost | 1,897 | 3,552 |
| Interest Cost | 6,036 | 7,434 |
| Contributions by members of scheme | 1,124 | 1,135 |
| Actuarial losses/gains (-) | 52,727 | -15,910 |
| Estimated benefits paid | -3,056 | -4,423 |
| Estimated unfunded benefits paid | -202 | -189 |
| Past service costs/gain(-) | 0 | -14,209 |
| Losses/-gains on curtailments | 14 | 29 |
| Closing liability | 146,133 | 123,552 |

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

| | 31 March 2010 £000 | 31 March 2011 £000 |
|-------------------------------------|-----------------------|-----------------------|
| Opening fair value of assets | 57,877 | 78,086 |
| Expected return on assets | 3,684 | 5,549 |
| Actuarial losses/ gains (-) | 15,282 | -1,784 |
| Contributions by the employer | 3,175 | 3,552 |
| Contributions by members of scheme | 1,124 | 1,135 |
| Contributions re unfunded benefits | 202 | 189 |
| Benefits paid | -3,056 | -4,423 |
| Unfunded Benefits paid | -202 | -189 |
| Closing fair value of assets | 78,086 | 82,115 |

Asset values are at bid value as required by IAS19

8. Scheme History

| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Present value of liabilities | -99,622 | -89,097 | -87,593 | -146,133 | -123,552 |
| Fair value of assets | 75,559 | 70,441 | 57,877 | 78,086 | 82,115 |
| Surplus/-Deficit | -24,063 | -18,656 | -29,716 | -68,047 | -41,437 |
| Experience gains/ losses (-) on liabilities | 281 | 816 | 229 | -533 | -1,908 |
| Above, as percentage of present value of liabilities | -0.28% | -0.92% | -0.26% | 0.36% | -1.54% |
| Experience gains/ losses (-) on assets | 722 | -10,626 | -18,433 | 15,282 | -1,784 |
| Above, as percentage of fair value of assets | 0.96% | -15.08% | -31.85% | 19.57% | -2.17% |

The impact on the Council's assets and liabilities, as stated above, has been incorporated in the Council's Financial Accounts.

The net pension liability shows the underlying commitment that the authority has in the long term to pay retirement benefits. Statutory arrangements for funding the deficit ensure that contributions will be adjusted over the remaining working life of employees to meet the liabilities, as assessed by the scheme actuary.

The Council expects to contribute £3.480m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2012.

9. Basis for estimating Liabilities and Assets

The estimates, for the purposes of IAS19, have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Fund.

Liabilities are based on the latest formal valuation as at 31 March 2007, and rolled forward, assessed on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund, dependent on assumptions about mortality rates, salary levels etc. discounted to their present value as at 31 March 2011.

The main assumptions used by the actuary in the Pension Fund calculations are as shown below.

| County Fund – Main Assumptions | 2009/10 | 2010/11 |
|--|----------------|----------------|
| Rate of inflation | 3.8% | % |
| Rate of increase in salaries | 5.3% | 5.1% |
| Rate of increase in pensions | 3.8% | 2.8% |
| Rate of discounting scheme liabilities | 5.5% | 5.5% |
| <i>Mortality</i> | | |

| | | | |
|--|-----------------------------|------------|------------|
| Longevity at 65 for current pensioners | | | |
| Men | | 20.8 years | 21.0 years |
| Women | | 24.1 years | 23.8 years |
| Longevity at 65 for future pensioners | | | |
| Men | | 22.3 years | 22.9 years |
| Women | | 25.7 years | 25.7 years |
| <i>Expected long-term rate of return on assets</i> | | | |
| Equity Investments | | 7.8% | 7.5% |
| Bonds | | 5.0% | 4.9% |
| Property | | 5.8% | 5.5% |
| Cash | | 4.8% | 4.6% |
| Take-up option to convert pension into tax free lump sum up to HMRC limits | For pre-April 2008 service | 25% | % |
| | For post-April 2008 service | 63% | % |

In accordance with CIPFA guidance the discount rate employed for the 2010/11 financial year is the return available on long-dated, high quality corporate bonds at the IAS19 valuation date.

Pension fund assets are valued at fair value, principally market value for investments, but using the bid price rather than mid-market value, in accordance with latest financial instruments. The table below shows the mix of assets held and the expected rate of return for each category of asset. Actuarial advice on expected return on assets is based on long-term future expected investment return for each asset class as at 31 March 2010 (or date of joining the fund, if later).

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

11 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 intangible assets.

Bad Debt Provision – bad debts are amounts owed to the Council which it does not believe will ever be paid back to them. The Council makes a provision for the amount of bad debt it expects to occur.

Capital Contract – this is a contract the Council has with a company to carry out major building or construction work that will take a significant amount of time.

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 fixed assets.

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

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, stocks and debtors.

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

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 a fixed asset 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.

Finance Lease – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease owns the asset then this is known as a finance lease (see also operating lease).

Fixed Assets – tangible assets that give benefit to the District Council and the services it provides for more than one year.

FRS – financial reporting standard.

Government Grants Deferred Account – the value of grants and other external contributions towards capital expenditure which has not yet been written down to the revenue account. As the assets are used this account is reduced by a sum equivalent to the annual depreciation of the asset.

Impairment – an asset has been impaired when it is judged to have lost value.

Intangible Assets – purchased intangible assets (e.g. software licences) should therefore be classed as assets.

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.

Market Value of Assets – the price that an asset can currently be bought or sold at.

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.

Net Asset value – the value of the Council's assets less its liabilities.

Operating Leases – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease does not own the asset then this is known as an operating lease. In this case the person is paying to borrow an asset (see also Finance Leases).

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

Prior Year Adjustments – these are changes made to the previous year's accounts to show things that were not known until after the prior year accounts were produced.

Revaluation Reserve – the account that reflects the amount by which the value of the District 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.

SSAP – Statement of Standard Accounting Practice.

Statement of Movement on the General Fund Balance (SMGFB) – an account that comprises of statutorily defined items to reduce the charge on the Council Tax.

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**INTERNAL AUDIT PLAN
(Report by the Audit & Risk Manager)**

1. PURPOSE

- 1.1 To allow the Panel to comment on the internal audit plan for the 12 month period commencing August 2011 before it is finalised. The plan is attached.

2. STRATEGIC AND ANNUAL PLANNING

- 2.1 The Audit and Risk Manager is required, by the 2006 CIPFA Code of Practice for Internal Audit, to provide an Opinion on the overall adequacy and effectiveness of the Council's control environment each year. This opinion is a key input to the review of the assurance framework, the preparation of the annual assurance statement and, in turn, the Corporate Governance Statement considered by the Panel at its September meeting.
- 2.2 The annual audit plan runs from August to July each year to maximise the currency of the information which provides the majority of the information on which the Opinion is based.
- 2.3 The Internal Audit Service maintains a four year strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council's internal control environment. The strategic plan shows the relative importance of each risk, from the risk register, and system area and the frequency with which it should be audited. A number of audit areas have then been combined so that audits can address common risk themes across services, rather than be conducted on a service by service basis.
- 2.4 To prepare the annual audit plan, the strategic plan is first reviewed and audits placed in priority order. The highest priority schemes which can be delivered within the resources available are then included in the annual audit plan which, following the comments of this Panel, will be determined by the Managing Director (Resources) as the Council's chief financial officer.

3. RESOURCING THE AUDIT PLAN

Internal Audit Staff

- 3.1 The Internal Audit structure was reduced to the Audit and Risk Manager and 1½ full time equivalent (FTE) auditors last year. The main elements of their work are the delivery of the annual audit plan,

provision of a wide range of advice and assistance to staff across the Council and undertaking certain fraud and whistleblowing investigations.

- 3.2 There have been two opportunities to increase the time available for audits or the effectiveness of those audits. Firstly, it has been possible to increase resource due to the good progress that has been made in introducing risk management across the Council and the steady fall in insurance claims over the last few years. Secondly, the concept of “lean” auditing has been developed whereby there is increased emphasis on the most significant risks in an audit area and use of audit techniques that will ensure adequate coverage for the least resource input.

Specialist Services

- 3.3 No specialist computer audit reviews are included in the audit plan as these are undertaken by an external contractor. The current contract for this service ends on the 30 June. Discussions are currently underway with neighbouring authorities on a joint tendering exercise. The Panel will be updated on the current position at the meeting.
- 3.4 As part of the reduction in audit resources agreed last year it was recognised that some 50 days per year may need to be bought in to meet the resource requirements of the strategic audit plan over its four year cycle. The computer audit contract will also request prices for non-computer audits that could be utilised as and when necessary.

Key Financial System Reviews

- 3.5 There is an assumption made by the majority of Council's that a significant amount of work is required to be completed each year on the key financial systems, to satisfy the requirements of the external auditors. Reviews in these areas have been undertaken for many years and there are few significant control weaknesses identified. This is borne out by the assurance opinions that have been given. See Annex A.
- 3.6 In order to ensure that audit resources are used to the best advantage, the audit plan is based on a new approach to the review of the key financial systems known as continuous auditing.
- 3.7 Continuous auditing requires the key controls within each system to be identified and for all transactions affected by those controls to be captured, analysed and exceptions that fall outside the expected controls to be flagged for further review and investigation. This approach also has the added benefit of reducing compliance testing and introducing an additional proactive anti-fraud control.
- 3.8 This is an innovative approach and consequently there is a need to consider any risks associated with the change. The main risk relates

to any difficulties in preparing reports to identify transactions that may be circumventing controls from each individual system but the audit section has specialist software available that it is anticipated will overcome any problems that arise. It is estimated that this approach may generate a saving of up to 40 audit days per year.

- 3.9 This new approach has been discussed with the external auditors. They have commented that it may require a significant amount of 'up front' time investment. This has been acknowledged and is allowed for within the audit plan.

4. CONCLUSION

- 4.1 There was a 1.5 FTE reduction in audit staff last year which meant that it would probably be necessary to buy-in up to 50 audit days per year on top of specialist computer audit.
- 4.2 The proposed audit plan adequately covers an appropriate proportion of the 4 year strategic plan.
- 4.3 Increasing the time available for audits and introducing "lean" and continuous auditing of financial systems may well mean that it will not be necessary to purchase the majority of the 50 audit days this year. This will be regularly monitored.

5. RECOMMENDATION

- 5.1 It is recommended that the Panel:
- a) identify any comments they wish to make to the Director of Commerce and Technology before he finalises the audit plan; and
 - b) note the introduction of continuous auditing.

ACCESS TO INFORMATION ACT 1985

Strategic Audit Plan
The Council's Risk Register

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**



Internal Audit Service

**Internal Audit
&
Assurance Plan
2011 - 2012**

2011 – 2012 Internal Audit & Assurance Plan

The Internal Audit & Assurance Plan for the period August 2011 to July 2012 has been prepared in accordance with best practice as contained in the 2006 CIPFA Code of Practice for Internal Audit.

The Code requires that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the Annual Statement of Assurance on Corporate Governance.

The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

All the risks present in the risk register as at 31 May have been included within the four year strategic audit plan, although not all, when considering the service issues identified or alternative assurance available, are required to be audited. Reviews that have clear links to risks within the risk register (identified by an extract of the register) will consider the effectiveness of the controls that are in place to manage the risks identified. They will also consider the manager's assurance opinion entered into the register.

A summary of the audits planned for the period are listed on the following pages, together with the name of the Liaison Officer responsible for dealing with any audit report or other issue that arises from an audit review.

The annual assurance opinion that I provide will be based upon the findings of the reviews carried out.

In addition to undertaking the audits detailed in the plan, the review of fraud related risk areas will continue. Internal audit are also likely to be involved in providing advice and assistance to managers, advising on new project developments and dealing with any whistleblowing allegations received.

Whilst it is envisaged that all the audits contained in the plan will be undertaken, the identification of any new risks or significant changes in residual risk scores, may require audits to be substituted so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. Chief Officers and Heads of Service will be informed of any changes before they are introduced.

David Harwood
Audit & Risk Manager
28 June 2011

Corporate Systems

Corporate governance arrangements: T Parker

8

A review of the robustness and completeness of Corporate Governance procedures against the CIPFA/SOLACE framework and the assurance framework that has been introduced. The audit will be completed so as to inform the September 2012 governance statement.

Business continuity: C Meadowcroft

12

| | | | | |
|-----------|-----------------|------------------|-----------------|---------------|
| Risk: 6 | <i>Inherent</i> | Very High | <i>Residual</i> | High |
| Risk: 145 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 162 | <i>Inherent</i> | Medium | <i>Residual</i> | Low |
| Risk: 165 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 172 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 176 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 177 | <i>Inherent</i> | Very High | <i>Residual</i> | High |
| Risk: 183 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 184 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 187 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 200 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 203 | <i>Inherent</i> | Medium | <i>Residual</i> | Low |

- 6 Service recovery and/or business continuity plans are inadequate resulting, over both the short and medium term, in the Council's inability to provide an appropriate service.
- 145 Loss of access to or loss of physical structure of all or part of Pathfinder House following a significant event.
- 162 A pandemic flu outbreak occurs affecting Huntingdonshire leading to significant staff absence, resulting in the inability of the Council to provide full services and/or meet targets.
- 165 Risk management software becomes unavailable because it is no longer supported leading to the loss of the risk register and impacts on the risk management process.
- 172 Loss of IT systems result in inability to deal with customer enquiries and/or accept payments.
- 176 Loss of telephony at the Call Centre results in customer dissatisfaction and service targets not being met.
- 177 Power loss to main server rooms causes significant failure or loss of IT systems including telephony, data systems, software and hardware.
- 183 Financial interfaces become unstable and business systems are not updated resulting in decisions based on poor or absent data.
- 184 Disruption in services provided by the Document Centre result in Annual Bills and other statutory documents not being issued correctly or on time.
- 187 An interruption in software systems prevents key Home Improvement Agency functions from being carried out.
- 200 Inability to access eFin results in disruption to services leading to invoices not being paid correctly or on time and delayed income collection.
- 203 Document Centre services affected by a major IT failure or breakdown resulting in printing/scanning requests not completed and possible additional costs.

The risk register recognises business continuity and service recovery to be a 'very high' risk. This audit will review the business continuity management procedures in place across a sample of Services and the new arrangements in place to manage this area at senior manager level. .

Balancing the budget: S Couper

15

To achieve a balanced budget the Council is required to identify and make savings of approximately £2m by 2015/16. This review will examine the savings identified to date and consider if the calculation of the savings is robust.

Maintaining high standards of Member conduct: C Meadowcroft

5

To review the progress that has been made against the IDeA Charter for Elected Member Development. A review of registered interests will also be undertaken.

Total Allocation 40

Financial Systems

Identification and continuous auditing of key controls

110

Identification and testing of the effectiveness of key controls within a number of the Council's key financial systems. This will include quarterly testing of compliance with agreed processes to provide assurance on the controls operation.

Systems /processes to review include:

Human resources and pay systems

Debtors

Council tax

Creditors; and

Main accounting systems.

Loans and investments: S Couper

5

Risk: 47 *Inherent* **Very High** *Residual* **Very High**

47 Council's funds not invested appropriately leading to losses or poor returns resulting in unexpected service cuts.

This audit will review the management of loans and investments against the Treasury Management Strategy. The implementation of previously agreed audit actions will also be reviewed. This area was last reviewed in June 2009 and received an adequate assurance opinion.

Housing benefits: J Barber

12

Risk: 27 *Inherent* **High** *Residual* **Medium**
 Risk: 143 *Inherent* **Very High** *Residual* **Low**
 Risk: 144 *Inherent* **High** *Residual* **Medium**

27 An interruption in the benefit system service or inadequate numbers of trained/skilled staff may lead to benefits not being paid correctly or on time.

143 Economic downturn leads to increased demand for Housing Benefit and Customer Services that cannot be met from existing resources resulting in a fall in service levels and damage to the Council's reputation.

144 Housing Benefit fraud goes undetected leading to loss of funds from public purse.

To review on an annual basis the administration of the Housing Benefit systems. This year's audit will consider administration and assessment, training and performance review.

Total Allocation 127

Commerce & Technology

One Leisure: S Bell

18

To continually review across the five Centres specific areas of their operation.

The risk register contains 13 risks relating to leisure and these will be reviewed with the Head of Service prior to the scope of the audit being agreed.

Bank reconciliation: S Couper

6

This area was last reviewed in January 2010 and received an adequate opinion.

The review will examine the procedures in place to ensure that all bank accounts are regularly reviewed and reconciled to the appropriate feeder systems.

Total Allocation 24

Central Services

Legal debt collection & recovery: C Meadowcroft 8

As part of the Sundry Debtors cyclical review, a risk based approach is to be completed on the legal case management system and all aspects of the debt recovery process. This area was last reviewed in June 2008 and received an adequate assurance opinion.

Land charges: C Meadowcroft 6

| | | | | |
|-----------|-----------------|------------------|-----------------|---------------|
| Risk: 69 | <i>Inherent</i> | High | <i>Residual</i> | Low |
| Risk: 153 | <i>Inherent</i> | Very High | <i>Residual</i> | High |
| Risk: 228 | <i>Inherent</i> | Medium | <i>Residual</i> | Medium |

69 Arrangements for the management of land charges are not robust leading to the provision of inaccurate land charges information

153 Competition and economic downturn affecting volume of land charge searches, leading to reduction in Council income

228 Personal search companies claim refund of fees following admission by government that charging for personal searches was incompatible with the Environmental Information Regulations resulting in detrimental effect to Council budget

A review of the systems and procedures used to administer and collect Land Charge income. This area was last reviewed in 2001. Consultancy advice was provided in March 2008 as part of a wider review of service delivery.

Staff recruitment: C Garbett 10

| | | | | |
|---------|-----------------|------------------|-----------------|---------------|
| Risk: 3 | <i>Inherent</i> | Very High | <i>Residual</i> | Medium |
|---------|-----------------|------------------|-----------------|---------------|

3 The Council has difficulties in recruiting or retaining skilled staff due to its reputation or failure to provide appropriate support to staff.

A review of the recruitment procedures that both HR and individual Directorates follow (to include internal vacancy management) to ensure that best employment practices are being complied with (advertising, application evaluation, references, contracts of employment etc.) This area was last reviewed in June 2007 and received a limited assurance opinion.

Total Allocation 24

ICT Audit

Delivering the Web Strategy: C Hall 6

| | | | | |
|-----------|-----------------|-------------|-----------------|---------------|
| Risk: 150 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 151 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 181 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 182 | <i>Inherent</i> | Low | <i>Residual</i> | Low |

150 Insufficient resources to deliver the objectives of the web strategy

151 The My Council application may be over engineered.

181 The SharePoint Environment or HDC Website becomes unstable resulting in disruption to online services.

182 Web authors unable to access the authoring environment to update Council website resulting in inaccurate information and increased calls to the Call Centre

The Council's website and associated systems play a key part in service delivery. This review will consider how the web strategy has been delivered and examine its management and operational responsibilities, including channel migration, content development and control. This area was last reviewed in May 2004 and received a limited assurance opinion.

IT staff - continuity planning: C Hall

5

| | | | | |
|-----------|-----------------|-------------|-----------------|---------------|
| Risk: 25 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 222 | <i>Inherent</i> | High | <i>Residual</i> | Medium |

- 25 The Council becomes over reliant upon a limited number of key Information Technology & Systems specialists leading to the loss of information or IT related services when these staff are unavailable (e.g. during a flu pandemic).
- 222 Increased risk that key staff are attracted by improving opportunities in the private sector as the public sector becomes more uncertain and under increasing financial constraints

This review will examine the extent to which the Council has become reliant upon a limited number of key IT specialists, and the controls in place to ensure that the IT services are able to be maintained if staff are absent over either the short and long term.

GIS & LLPG: C Hall

10

The Geographic Information System and Local Land and Property Gazetteer systems have not been audited previously. The review will examine the procedures and practices in place to ensure that the latest data is held within these systems and that it is being used effectively across the Council.

Technical computer audit reviews

Specialist computer auditors have not yet been appointed. Audits in this area will be discussed with the Head of Information Management.

Total Allocation 21

Environmental and Community Services

Repair and maintenance of Council property & equipment: P Jose

8

| | | | | |
|-----------|-----------------|------------------|-----------------|---------------|
| Risk: 186 | <i>Inherent</i> | Very High | <i>Residual</i> | Medium |
| Risk: 221 | <i>Inherent</i> | High | <i>Residual</i> | Medium |
| Risk: 229 | <i>Inherent</i> | Very High | <i>Residual</i> | Medium |

- 186 Failure to maintain Council's assets , results in assets not fit for purpose and/or possible accidental injury to users/occupiers. Failure to maintain Council's assets , results in assets not fit for purpose and/or possible accidental injury to users/occupiers.
- 221 Failure to maintain building could result in disrepair and consequent injury/death to staff, customer or contractor and adverse effects.
- 229 Failure to provide protect and maintain the Council's property portfolio (Corporate buildings specifically Pathfinder House, Castle Hill House, Eastfield House) resulting in an unsuitable working environment and / or possible accident or injury to staff/ visitors.

The audit will examine the procedures in place for managing the routine servicing of plant and equipment across all service areas (excluding specialist equipment in the Operations Division workshop) so ensuring that best value is obtained when commissioning work. This area was last reviewed in 2004 and received a limited assurance opinion.

Parks & Open Spaces: E Kendall

8

This audit will examine the management of parks and open spaces, including Hinchingsbrooke Country Park and Paxton Pits. The audit will exam cash receipting, purchasing and stocks and the servicing of playground and sports equipment. This area was last reviewed in 2004 and received a limited assurance opinion.

Markets: E Kendall 6

This audit will examine the management of street markets, including trading agreements and income management. This area was last reviewed in 2006 and received a limited assurance opinion.

Total Allocation 22

Fraud related review

Internet monitoring: C Garbett / C Hall 10

This review will examine employees' use of the internet and the controls in place to identify potential misuse.

Mobile and office telephone use: C Hall 10

A review of mobile and office telephone use to ensure that agreed procedures are being followed.

National fraud initiative: S Couper 5

The continuing review and investigation of transactions identified from the 2010 NFI data submissions.

Total Allocation 25

Contracts

Selection of contractors and awarding contracts: S Couper 8

To ensure that the issues identified in the September 2009 Corporate Governance Statement with regard to compliance with the Code of Procurement have been properly addressed. This review that will examine the procedures followed for the selection of contractors and the awarding of contracts.

Service & Supply contracts 5

To undertake an in-depth review of a service or supply contract that has been entered into during the year. The contract selected for review will be determined during the year.

13

**Key Financial Systems
Assurance opinions**

| | 2009/10 | 2008/09 | 2007/08 | 2006/07 | 2005/06 | 2004/05 |
|-----------------------|---------|---------|---------|---------|---------|---------|
| Council Tax | ✓✓ | ✓✓ | ✓✓ | --- | ✓ | ✓ |
| NNDR | ✓✓ | ✓✓ | ✓✓ | ✓✓ | ✓ | ✗ |
| Housing Benefits | ✓ | ✓✓ | ✓✓ | ✓✓ | ✓✓ | ✓✓ |
| Main Financial System | --- | ✓✓ | --- | ✓✓ | --- | --- |
| Creditors | --- | ✓ | ✓ | ✗ | ✓✓ | ✓ |
| Debtors | --- | ✓ | --- | --- | ✓ | --- |
| HR/Payroll | ✗✗ # | ✓ | ✓ | ✓✓ | --- | ✓ |

The significant risks identified did not relate to the payroll aspects of the audit.

| | |
|-------------|----|
| Substantial | ✓✓ |
| Adequate | ✓ |
| Limited | ✗ |
| Little | ✗✗ |

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COMPLAINTS (Report by the Head of Legal and Democratic Services)

1. INTRODUCTION

- 1.1 The purpose of this report is to provide Members with information on internal complaints and a summary of complaints determined by the Local Government Ombudsman.

2. SUMMARY OF INTERNAL COMPLAINTS

- 2.1 The Council's internal complaints system summarises complaints into six categories as follows:-

- ◆ action of employee;
- ◆ council policy;
- ◆ council procedures;
- ◆ equality of service;
- ◆ failure to respond; and
- ◆ service delivery.

- 2.2 The table attached at Annex A provides an analysis of complaints by complaint reason, the Division involved and results compared with the previous two years.

- 2.3 The Council captures information relating to verbal complaints. These complaints predominantly relate to the Operations Division and, for the period 2010/11, 350 (420) complaints were received out of 41,791 (39,450) service requests, which represented a complaint rate of 0.8% (1.1%). The figures in parenthesis are for 2009/10.

3. SUMMARY OF OMBUDSMAN COMPLAINTS

- 3.1 The Local Government Ombudsman Service has published its provisional statistics for enquiries and complaints dealt with in relation to the District Council in the year 1st April 2010 to 31st March 2011. The Ombudsman received a total of 24 enquiries and complaints in 2008/09, which represents an increase on the 18 received in the previous year. The Ombudsman will not normally consider a complaint unless a Council has had the opportunity to deal with the complaint itself. So, if someone complains to the Ombudsman without having taken the matter up with a Council, the Ombudsman will usually refer it back to the Council as a '*premature complaint*' to see if the Council can itself resolve the matter. Of the 24 enquiries, four were deemed to be premature, two resulted only in advice being given and four were re-submitted premature complaints. This means that 14 new complaints were forwarded to the investigative team to pursue.

- 3.2 The following table provides a summary of the decisions reached by the Ombudsman during the year compared with previous years.

| Decisions | 2008/09 | 2009/10 | 2010/11 |
|---|----------------|----------------|----------------|
| Formal report finding maladministration causing injustice | 0 | 0 | 0 |
| Complaints settled locally | 0 | 0 | 2 |
| Maladministration causing no injustice | 0 | 0 | 0 |
| No maladministration | 0 | 0 | 10 |
| No, or insufficient, evidence of maladministration | 7 | 2 | 0 |
| Ombudsman's Discretion (no or insufficient injustice) | 1 | 4 | 3 |
| Outside LGO's jurisdiction | 1 | 1 | 3 |
| Total | 10 | 7 | 18 |

- 3.3 This table refers only to decisions reached and includes complaints received before the start of the year. Equally, some of the complaints received as set out in paragraph 3.1, will appear in the Ombudsman's report next year.
- 3.4 The Ombudsman's report indicates that two complaints have been settled locally; however, one of these was agreed before the complainant contacted the Ombudsman and so the Ombudsman's involvement had no effect on the outcome of the complaint. One other complaint resulted in a benefit being allocated to the complainant in recognition of the time and trouble he had incurred in making the complaint.
- 3.5 Last year the Ombudsman criticised the Council for the time it took to respond to requests by Ombudsman investigators for information. The average time for the Council to respond to Ombudsman requests for action in 2009/10 was 47.2 days. In 2008/09 the average time taken to respond was 41.5 days and in 2007/08, the figure was 30 days. In mitigation it was pointed out that the Ombudsman needs extensive documentation to investigate cases, particularly in relation to planning matters, and that the level of resources the Council dedicated to providing information should be seen in the context of the declining number of decisions being issued and the fact that no findings of maladministration had been issued against the Council. Since then, however, a conscious effort has been made to respond within the timescale stipulated by the Ombudsman. In the last Municipal Year the Council managed to respond, on average, in 18.4 days.

Annex A

| Complaint Reason | Division involved 2008/09 and action | Division involved 2009/10 and action | Division involved 2010/11 and action |
|---------------------|--|--|--|
| Action of Employee | 3 Benefits (1 SI and 2 NAT) 1 Customer Services (NAT) 4 Council Tax (3 NAT and 1 SI) 1 Housing (SI) 2 Planning Policy (1 SI and 1 NAT) | 2 Council Tax (NAT) 4 Development Mgt (3 NAT, 1 SI) 6 Benefits (2 NAT, 2 SI, 2 FT) 1 Operations (CIS) 1 Env & Comm Health (NAT) 3 Leisure (3 NAT) | 1 Council Tax (CIS) 1 Development Mgt (NAT) 4 Benefits (4 NAT) 5 Cust Servs (3 NAT, 2 SI) 1 Env Mgt (CIS) 2 One Leisure (NAT, SI) 2 Dem & Central Servs (NAT) |
| Council Policy | 1 Benefits (NAT) 7 Council Tax (1 CIS and 6 NAT) 1 Ops (SI) | 1 Council Tax (NAT) 3 Benefits (NAT)) | 1 Operations (CIS) 1 Cust Servs (NAT) 5 Housing (NAT) 1 Dem & Central Servs (NAT) |
| Council Procedures | 7 Development Control (4 NAT and 3SI) 1 Benefits (NAT) 2 Council Tax (2 CIS) | 4 Development Mgt (3 NAT, 1CIP) 3 Benefits (2 NAT, 1 CIP) 1 Council Tax (NAT) 2 Operations (NAT) 1 Env & Comm Health (NAT) | 4 Development Mgt (NAT) 1 Dem & Central Servs (CIP) 2 Council Tax (CIS, NAT) 3 Cust Servs (2 NAT, CIS) 1 Operations (NAT) |
| Equality of Service | | 1 Council Tax (NAT) 1 Development Mgt (SI) | 1 Council Tax (NAT) 1 Development Mgt (NAT) 1 Benefits (NAT) |
| Failure to Respond | | 3 Development Mgt (2 CIS, 1 NAT) 1 Planning Policy (NAT) 1 Dev Mgt + CI Tax ((NAT) 1 Env & Comm Health (NAT) | 3 Development Mgt (NAT) 1 Housing (NAT) |
| Service Delivery | 8 Development Control (4 SI and 4 NAT) 2 Ops)1 CIP and 1 NAT) 1 Council Tax (NAT) 4 Benefits (2 NAT, 1 SI and 1 CIS) 1 Housing (CIP) | 6 Development Mgt (4 NAT, 1 CIS, 1 SI) 6 Council Tax (4 NAT, 2 CIS) 3 Benefits (3 NAT) 3 Housing (2 NAT, 1 CIS) 5 Operations (4 NAT, 1 CIS) 3 Env & Comm Health (3 NAT) 1 Building Control (NAT) | 6 Development Mgt (8 NAT, 1 CIS) 2 Dem & Central Servs (CIP) 1 Benefits (CIS) 4 Housing (2 NAT, 1 CIS, 1 CIP) 2 Env Mgt (2 NAT) 1 Building Control (NAT) |
| Total | 52 | 67 | 58 |

KEY:

| | | | |
|-----|----------------------|-----|------------------------|
| NAT | No Action Taken | RTC | Referral to Contractor |
| CIP | Change in Procedures | CIS | Change in Service |
| SI | Staff Instruction | FT | Formal Training |