Statement of Accounts
For the year ended 31 March 2008

Chairman of the Council 2007/08	Councillor P Swales
Leader of the Council 2007/08	Councillor I C Bates
Executive Councilor for Finance 2007/08	Councillor T V Rogers
Chief Executive	Mr D Monks
Director of Commerce and Technology	Mr T Parker
Auditors	Grant Thornton UK LLP

Contents

Introduction and Financial Summary

In order to ensure that the financial accounts of local authorities are reliable the Statement of Recommended Practice (SORP) has been created which sets out how they should be prepared and what they must include. Huntingdonshire's accounts comply with the SORP.

The SORP is updated annually to reflect the latest developments in accountancy – there are some significant changes this year and an explanation of the main changes can be found on page 6.

This booklet presents the accounts of Huntingdonshire District Council for the period from 1 April 2007 to 31 March 2008. The main statement is the Income and Expenditure Account which includes the cost of providing the Council's services that are partly funded from the council tax.

The Balance Sheet summarises the Council's assets and liabilities at the end of the year (31 March 2008) and the Cash Flow Statement sets out where the money came from and how it was spent. Explanatory notes give greater detail.

Overview

The table below shows a simplified version of the revenue summary:

Revenue Expenditure		**2007/08 Actual** £000
Services		
Gross Expenditure	69,891	
Income including fees and charges and the government reimbursement of benefits.	-37,830	
Net Cost		**32,061**
Other Items		
Investment Income		-2,742
Trading undertakings surplus		-580
Required adjustments relating to items such as pensions, capital and financing costs.		-11,290
Total to be funded		**17,449**
Funding		
Council Tax	-6,326	
Collection Fund adjustment	7	
Revenue Support Grant	-1,674	
NNDR from national pool	-9,976	
LABGI	-371	
		-18,340
		-891
Movement on Council Reserves		
General Fund Balance	1,171	
Delayed Projects Reserve	-280	**891**

When the Council set its budget for 2007/08 in February 2007 it made provision to use up to £1,565k from reserves to fund revenue expenditure. Over the course of the year the Council has again been successful in raising additional income and keeping expenditure down.

Overall income was £1,512k higher than expected. This included £371k of Local Authority Business Growth Incentive (LABGI) Grant to reward the Council for achieving business growth in the district over and above the Government's target threshold and £254k of Planning Delivery Grant which reflected the Council's success in achieving Government targets. There were also increases in investment interest (£159k), a higher recharge to capital (£578k) due to more spending on assets together with additional income from charges including leisure centres (£155k) and planning (£107k).

Expenditure was £854k lower than expected. This included savings on utility bills and running costs at leisure centres (£261k), an unexpected relaxation of the rules for recovering VAT (£138k), the general contingency not being required (£140k), lower maintenance costs on refuse freighters (£85k) and an increase in the value of projects that were deferred to next year (£169k).

Gross expenditure includes £4,748k which is impairment on the new operations centre, Eastfield House. This arose because the building was designed to match the Council's need for a particular balance of depot and office facilities, but the capital cost was greater than the market value. However the cost is offset in the adjustments line in the summary table above.

The net result is that it has been possible to add £891k to reserves this year resulting in a total revenue reserve of £20.7m at the end of the year. The increase in reserves gives extra flexibility for the Council to introduce greater efficiency and ensure spending is focussed in those areas that will make a real difference for local people.

Capital investment in assets of £16.5m has taken place during the year. Projects included leisure centre refurbishments (£0.6m), a new Creative Enterprise Centre at St Neots (£0.7m), a new pavilion with extended changing rooms at Priory Park (£0.5m), Eastfield House, new customer service centre and offices (£8.4m), environmental improvements (£0.4m), housing (£3.0m), further investment in information technology (£1.0m) and operational vehicles (£0.2m). These were funded partly from grants and contributions (£2.6m) with the remainder from Capital Reserves.

Capital Reserves (accumulated capital receipts from the sale of land and buildings) started the year at £28.7m and the net impact of funding capital expenditure and the proceeds from asset sales means the position at the end of the year is £16.0m

The Council is thus left with the following Reserves:

Reserves at 31 March 2008	**£m**
Revenue**	20.7
Capital	16.0
Total	**36.7**

** including Delayed Projects Reserve of £335k

Council Tax and Collection Fund

The Council, in line with its long-term financial strategy, set a Council Tax of £109.91 for 2007/08. This tax level was the 18th lowest of all the 238 English District Councils (average £155, highest £290) and was a cash increase of just £5.22 per year; or 10p per week.

The Council Tax for the County Council, Police and Fire Authorities and town and parish councils, that Huntingdonshire collects on their behalf, brought the average band D council tax charge for residents of the District up to £1,306.

The Council Tax due increased to £75.3m, £236k (0.3%) more than originally budgeted, as improved collection rates allowed the provision for bad debts to be reduced. After the payments to the County (£53.6m), Police (£8.6), Fire (£3.0m), District (£6.3m) and Town and Parishes (£3.5m) are made a surplus of £163k will be left to be distributed between the principal authorities in proportion to their 2008/09 Council Tax with £21k being credited to this Council. The surplus is mostly due to a reduction in the provision for bad debts.

Pensions

The accounts show that the Council had a future pension deficit of £23.7m at the start of the year due to historic poor performance of the equity market and increased longevity of pensioners. The Council funds this deficit via its annual contributions to the pension fund which are based on calculations carried out by an actuary every three years. The necessary increase in contributions over the next few years has already been built into the Council’s financial plan.

It is pleasing to note that the deficit has again fallen significantly over the last year to £18.3m as a result of better investment returns, increased contributions and some changes to the scheme.

However, in calculating the scheme assets the fund's actuary has made assumptions about future investment returns. These returns are significantly affected by the performance of equities and so, if the current uncertainty in the financial markets continues, this could lead to a significant change in the value of the fund at the next valuation. This, together with movements in interest rates will be considered in the annual review of the Council’s financial plan.

Conclusion

The Council has been independently judged as “excellent” and continues to focus its service developments on those areas that local people see as a priority. In order to achieve this without significant increases in the Council Tax, opportunities to increase efficiency are constantly being sought.

The Council successfully obtains grant funding from the Government and other bodies, and looks for opportunities to increase income from charges and is careful to avoid any unnecessary spending. This maximises the Council’s revenue reserves giving flexibility to ensure that the expected financial pressures in coming years can be successfully managed to minimise the impact on service provision.

Terry Parker BA(Hons) FCA
Director of Commerce & Technology
23rd September 2008

Statement of Accounts approved by the Corporate Governance Panel
Chairman: Cllr. C. J. Stephens
23rd September 2008

CHANGES TO THE STATEMENT OF RECOMMENDED PRACTICE FOR THE 2007/08 ACCOUNTS

The accountancy profession has been identifying ways in which the style and content of local government accounts can more closely follow the approach in private companies. As a result of this, two significant changes have been introduced that affect this year's financial accounts:

- The treatment of financial instruments
- Capital accounting adjustments

Wherever possible the 2006/07 accounts have been restated to provide meaningful comparative figures with these new approaches.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset in one organisation and a financial liability in another organisation. Examples include:

- Goods received but payment not yet made
- Loans
- Investments
- Services delivered but payment not yet received

The main changes that impact on the Council's accounts relate to:

1. ***Loans at less than market rate.*** When the Council gives home improvement loans there is a need to recognise the financial impact of them being interest free.

2. ***Non recoverable debts.*** The new guidance contains more detailed requirements for estimating the amounts that may not be collected.

3. ***Additional information.*** The new guidance requires further information to be included on the significance of financial instruments and the nature and extent of any risks relating to financial instruments and how these will be managed.

Capital accounting

Two new accounts are required:

1. ***Capital adjustment account.*** This shows the difference between the cost of fixed assets (e.g. buildings) and the sums provided to pay for them. It is created from merging the fixed assets restatement account and the capital financing account

2. ***Revaluation reserve.*** This reserve records the net gain or loss from the change in value of assets since 1 April 2007.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

An Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. 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 Statement of Accounts by 30 June 2008

The Responsibilities of the Director of Commerce and Technology

In preparing this Statement of Accounts which present fairly the financial position of the Authority and its income and expenditure, I have:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the SORP
- 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

Terry Parker BA (Hons) FCA
Director of Commerce and Technology
Dated 23rd September 2008

Annual Statement on Governance

Huntingdonshire District Council is responsible for ensuring that –

- its business is conducted in accordance with the law and proper standards; and
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In carrying out these duties, Members and senior Officers are responsible for putting in place proper arrangements for governance of the Council's affairs and the stewardship of the resources at their disposal. To that end, the Council has approved and adopted a Code of Governance, which reflects the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authorities Chief Executives ("CIPFA/SOLACE"). The Code is published on the Council's website at www.huntingdonshire.gov.uk and hard copies are available on request from the Head of Policy and Strategic Services.

The Code of Governance was updated in August 2007 to reflect the framework for "Good Governance in Local Government" published by CIPFA/Solace in June 2007 and adopted, by the Corporate Governance Panel, in September 2007.

The principles and the Code sets out and describes the way in which the Council carries out its functions and complies with the principles of openness, integrity and accountability. The principles apply to elected Members and employees alike, and they are reflected in the Council's working procedures and processes in the interests of establishing and maintaining public confidence.

The Council's Code of Governance recognises that effective governance is achieved through the following **core principles**:

1) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for Huntingdonshire.

2) Members and employees working together to achieve a common purpose with clearly defined functions and roles.

3) promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

4) taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

5) developing the capacity and capability of Members and employees to be effective.

6) engaging with local people and other stakeholders to ensure robust local public accountability.

In the Code these six core principles have a number of **supporting principles** which, in turn, have **specific requirements**. These principles and requirements apply across the work of the Council and define the Governance Framework.

1. The Governance Framework

The Governance Framework has been in place for the year ended 31st March 2008 and up to the date of approval of the statement of accounts.

The Council's powers and duties of Council Committees and Panels require the Corporate Governance Panel (among other things) to –

- ensure that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk; and
- consider the Council's Code of Corporate Governance and approving the annual statement in that respect.

In turn the Council's Director of Central Services & Monitoring Officer (note this post is currently vacant and interim arrangements have been put in place whereby the Chief Executive and Head of Legal and Estates will exercise these delegations) has been given responsibility for –

- overseeing the implementation and monitoring the operation of the Code;
- reviewing the operation of the Code in practice; and
- reviewing and reporting annually to the Corporate Governance Panel on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

2. Communicating vision and purpose

The Council has in place a Community Strategy which sets out a vision shared with partners for Huntingdonshire. The Strategy currently is under review. In addition the Council has a Corporate Plan – "Growing Success" which sets out our vision and our purpose. The Council has recently reviewed "Growing Success" by identifying and prioritising community and Council objectives, which will help to achieve the vision. The Council has put in place a communications plan to ensure the vision and priorities are clearly communicated to local residents and stake holders. The Council undertakes an annual survey of residents based on measures and targets in Growing Success to gauge levels of satisfaction of local residents and users of services. This is supplemented by other surveys, such as the Place Survey and Quality of Life survey.

The results of these surveys are made available to help service planning. There was extensive consultation in developing the first Community Strategy and the

Huntingdonshire Strategic Partnership has developed a programme to ensure the new Sustainable Community Strategy is representative of the views of local communities.

The Council's Communications & Consultation Strategy is used to promote and guide two-way communications with local residents. A review of this approach has been undertaken and a communications and marketing strategy and a strategy for consultation and engagement have been developed – both of which will enhance the existing practices and support good governance.

Work on incorporating arrangements in respect of partnerships - as identified by the Audit Commission's report on the governance of partnerships - in the Council's overall governance arrangements is now taking place and the 'partnership framework' is being used to evaluate and assess the risk of strategic and other partnerships.

3. Roles & responsibilities

Cabinet

The Council's Constitution provides a comprehensive explanation of the Council's administrative and managerial processes. Designed to illustrate the statutory division between executive and non-executive roles and responsibilities within the Council, the Constitution also defines the relationship between the Council and its citizens by means of a series of articles, procedure rules and codes of practice.

Articles and tables list the functions of the Executive, Scrutiny and Standards Committee arrangements as defined by the Local Government Act 2000 and explain how the Council has delegated its non-executive decision making to Committees and Panels. The role of Statutory Officers is defined, together with the management structure of the authority, and the Scheme of Delegation contains a comprehensive summary of all decision making powers delegated to Officers by the executive and non-executive parts of the Council. A series of procedure rules demonstrate clearly the inter-relationship between those various elements.

Overview & Scrutiny Panels

The Council has appointed 3 Overview and Scrutiny Panels (Service Delivery, Service Support and Corporate and Strategic Framework) which discharge the functions conferred by Section 21 of the Local Government Act 2000 in relation to the matters set out in Article 6 of the constitution.

Within their terms of reference, the Overview and Scrutiny Panels will:-

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet and/or any joint committee in connection with the discharge of any functions;
- review the performance of the Council and the achievement of performance indicators and targets;
- consider any matter affecting the area or its inhabitants; and

- exercise the right of call-in, for reconsideration, of decisions made but not yet implemented by the Cabinet, an individual member of the Cabinet, a committee of the Cabinet or a key decision made by an officer.

An annual report of the activities of the Overview & Scrutiny Panels is prepared and an action plan to enhance and improve the scrutiny process is in place

Governance Panel

The Council has established a Corporate Governance Panel to consider the issues of audit, governance and finance including:

- Ensuring that the financial management of the Council is adequate and effective.
- Approving the Council's statement of accounts
- Ensuring that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions including arrangements for the management of risk.
- Considering the Council's Code of Corporate Governance and approving the annual statement in that respect
- Determination of the Council's complaints procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence
- Receiving and considering the external auditor's annual management letter

4. Codes of conduct defining standards of behaviour

A Members' Code of Conduct provides the statutory framework for the ethical conduct and behaviour of Members of the Council and persons appointed or co-opted to Committees. Training is provided by the Monitoring Officer to ensure Members are thoroughly aware of the standards expected of them and to embed the principles set out in the Code into the culture of the Council. Notwithstanding the absence of a statutory model, an Employees' Code of Conduct defines the behaviour that the Council expects of its employees, with training provided as part of the induction process and annual reminders issued to both Members and employees of the need to register any new or changed interests. A protocol for relations between Members and employees establishes the principles to be observed in the relationships at both an individual level and between executive and non-executive bodies and employees. A further protocol on community leadership by Members and Codes of Good Practice for both planning and licensing explain to Members the high standards of behaviour and conduct expected of them in carrying out their constituency and quasi-judicial decision making roles. Published on the Council's Internet and Intranet, the Codes and protocols are supplemented by training to ensure a thorough understanding and compliance with the principles and standards that they establish. Responsibility for receiving complaints and carrying out the preliminary assessment of what action, if any, is required, transferred from the Standards Board for England to local authority Standards Committees in May 2008. The Council has made the necessary changes to its Constitution and put in place the appropriate procedures to deal with this additional responsibility

5. Review of the Constitution

The Council's Constitution, which incorporates the Council procedure rules (Standing Orders), Code of Financial Management (financial regulations), Code of Procurement (Standing Orders as to Contracts) etc., is reviewed formally at biennial intervals, with an opportunity provided for both the executive and non-executive, as well as individual Members and senior management, to reflect on its robustness and operation in practice over the previous two years. Interim changes may be made from time to time that are necessitated by legislative developments, reviews of working practices or alteration to decision making responsibilities. Any such change is communicated by updating the Constitution both electronically on the Internet and Intranet and in hard copy.

Arrangements have been made to ensure that reports to Members are subject to completion of a template that requires authors to certify that they have had regard to the implications implicit in the report, including legal, financial and risk issues.

6. Development needs

Members

A training and development programme has been designed for Members that embraces the professional, organisational and behavioural knowledge and skills that they require to enable them to perform their roles both internally and within the community. Skills and needs audits are undertaken periodically and personal development plans will be prepared for individual Members. A record of all training undertaken is held on Members' individual files. Training is provided both internally by senior management and by external consultants and specialists.

A Members' induction scheme is in place for new Members. Specific training is provided for Members who sit on the –

- Licensing Committee/Panel
- Development Control Panel
- Standards Committee
- Overview & Scrutiny Panels
- Corporate Governance Panel.

Officers

The Council is committed to developing the skills of employees to enable roles to be carried out effectively and enhance career progression. Skills of employees are assessed as part of the annual appraisal process and an appropriate personal training and development plan is agreed. In addition, an annual Management Development training programme is in place.

7. Internal Audit

Internal audit's are undertaken in accordance with the CIPFA Code of Audit Practice. The Director of Commerce & Technology is accountable for the Council's internal audit arrangements. A risk-based strategic plan detailing the risks and activities of the Council is prepared, from which the annual audit plan is drawn. Written reports are prepared for all audits: these include an opinion on the degree of risk perceived and the assurance that can be obtained from the system.

8. Whistleblowing

A Whistleblowing Policy and Procedure have been adopted, and is available on the Council's Website and Intranet. They are reviewed annually and publicised widely. A 'phone line and 'web form' are available for complainants' use at all times.

9. Complaints Procedure

A complaints procedure is in place to identify and deal with failure in service delivery. Complaints can be made, in person at the Council offices, via telephone, fax, e-mail or the Council's website.

10. RIPA

A policy has been adopted by the Council dealing with covert surveillance under the Regulation of Investigatory Powers Act 2000 and is published on the intranet. A group of officers has been established and meets on a regular basis to discuss surveillance issues and appropriate training is provided to staff and members. The 3rd Inspection Report of the Office of Surveillance Commissioners, published in June 2008 described the Council's use of RIPA as 'exemplary'.

11. Risk Management

The Council maintains a risk register which contains the significant corporate and operational risks which are likely to affect the achievement of corporate objectives. The register is reviewed by a Risk Management Group, who report to the Chief Officers' Management Team and the Corporate Governance Panel. The Cabinet are responsible for formally deciding the acceptability of the highest levels of residual risk or if additional mitigation is required. Amendments to the risk management strategy were approved in June 2007 and the Council is working towards raising their Use of Resources Assessment score for risk management to '3'. The Risk Register is in place and Risk software has been purchased and regular reports are submitted to the Corporate Governance Panel. Training has been provided to Corporate Governance Panel and other Members.

12. System of Internal Control

Central to the governance environment is a system of 'Internal Control' designed to manage risk to a reasonable level rather than to eliminate all risk. The system is based on a continuing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks occurring and the impact should they occur; and to manage them proportionately and effectively.

The effectiveness of the system of internal control is informed by –

- the Internal Audit Manager's annual opinion on the internal control environment;
- the Council's performance management framework which has recently been revised and refreshed in conjunction with a review of the Corporate Plan "Growing Success";
- the consideration and monitoring by the Chief Officers' Management Team of reports and decisions prepared for, and taken by, Cabinet;
- reviews of the Constitution which have included variations to the Council's overview and scrutiny processes;
- the 2007/08 Audit and Inspection Letter from the Audit Commission; and
- the Council's Improvement Plan – incorporating the Use of Resources Assessment Action Plan.

The Council's responsible Finance Officer, the Director of Commerce & Technology, is of the opinion that the system's of internal control are adequate and that no significant weaknesses were identified during 2007/08 or since.

13. Review of Effectiveness – Assurance Framework

To ensure that the Council is complying with it's Governance arrangements and meeting the requirement's of the code (as set out in the principles, core principles and specific requirements) an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan; and
- continued reference to systems and reporting as necessary to provide assurance and support for good governance.
- the Audit Manager's annual report and comments by the external auditors and other inspections

This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.

The Corporate Governance Panel has overall responsibility within the Council for ensuring that the assurance framework is in place and operating effectively. To that end, it has considered its own effectiveness to ensure that it was receiving all the information necessary to fulfil its terms of reference and fulfil its 'charged with governance' role. An action plan has been prepared to deal with issues that were highlighted by the review.

14. Governance of Partnerships

Increasingly the Council is seeking to promote joint working and partnership to deliver local objectives. Having developed a Partnership evaluation framework (including the good Governance of partnerships as identified in the Audit Commission's report on the governance of partnerships) and undertaken an initial assessment of our strategic partnerships a programme is being implemented to continue to review strategic partnerships (3 year programme) and operational partnerships. In addition the Council is actively involved in a review of the structure and governance of county wide partnerships, supporting the delivery of the Local Area Agreement.

15. Annual Audit and Inspection Letter: (March 2008)

The Annual Audit and Inspection Letter provides a summary of the Audit Commission's assessment of the Council. It draws on findings from inspections during the year including the 'Direction of Travel' report and the external auditor's assessment of how well the Council has managed their resources – the Use of Resources Assessment.

The main messages of this letter were –

"The Council is making improvement in many priority areas. Recycling and composting performance remains amongst the best nationally. Access to services has improved. The Council continues to perform well in the use of resources and value for money".

The Annual Audit and Inspection Letter highlighted one area where action is needed by the council:

> *"Maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance".*

The Annual Audit and Inspection Letter is available on the Council's website and from the Director of Central Services.

The **Use of Resources Assessment** is designed to assess how well local authorities manage and use their financial and other resources. The Assessment focuses on the importance of having available sound and strategic financial and resource management to ensure that resources are available to support the Council's priorities and to improve services.

The Use of Resources Assessment covers five themes, each of which were assessed on a 1 – 4 scale, 1 representing inadequate performance, 2 adequate performance, 3 good performance and 4 innovative practice. The Council's scores for each of the five themes are reproduced in the following table:-

Theme	2006/07
Financial reporting	3
Financial management	3
Financial standing	3
Internal control	2
Value for money	3

This level of performance equates to the Council performing well and consistently above minimum requirements on the Audit Commission scale.

From 2007/08 the criteria for assessing compliance against some of the Key Lines of Enquiry in the assessment have been raised, as a result of which the Council will have to perform to a higher standard to maintain or improve previous scores. Similar raising of standards is likely in future years.

Development areas identified by other external organisations or by the Council are incorporated into the Council's overall Improvement Plan. Progress on the achievement of this Plan is monitored by both the Overview & Scrutiny Panels and by the Cabinet.

16. Governance Issues Previously Identified

In last year's statement, and as a result of other considerations, the Council identified their perception of the need to develop aspects of the governance arrangements. These are highlighted in bold, together with information on the progress in dealing with these issues:

- **developing and implementing the Partnership framework;**

  A health check has been approved, evaluation of strategic partnerships completed and an ongoing review procedure being established. Also, Partnership arrangements in place with other Cambridgeshire authorities and partners to implement the Local Area Agreement (Cambridgeshire Together) and the associated scrutiny arrangements (Joint Accountability Committee).

- **budget monitoring processes**;

  The most significant areas (identified in the risk assessment) were the monitoring of the achievement of the turnover allowance and refinements to the monitoring of recharges from revenue to capital. These have now been introduced.

  Budget variations were identified much earlier in 2007/08 than previous years

- **reporting on planned savings and efficiency gains;**

  Identified spending adjustments are deducted from relevant budgets so that monitoring is mainstreamed into budget monitoring. The target for further spending adjustments in 2009/10 was partly identified within the 2008/09 budget and the remainder will be identified before the 2009/10 budget is finalised

- **monitoring compliance with constitution**;

Inclusion of explanatory information in employee induction. Introduction of report checklist for committee reports which requires authors to certify compliance with constitution. Programme of regular updates in Team News to be implemented

- **further development to the approach to equalities, specifically implementing arrangements to facilitate progress in relation to the Local Government Standard for Equalities**;

  Making progress in delivering the Equality Impact Assessment programme and actions identifies in the Corporate Equality Policy action plan.

- **ensuring capacity is in place to enable sustained service improvement while managing major projects**;

  Corporate training programme (CTP) in place, supplemented by specific professional/management training identified from annual performance development reviews. Successful MTP bid will increase the CTP from 2008/09 to cater for the new skills that will be required. Where appropriate additional resources have been available to support capacity while implementing new

- **developing consultation and engagement with local communities;**

  Consultation and Engagement strategy developed and adopted by Cabinet in February 2008, an annual consultation exercise with local residents undertaken in March 2008, a system of e-petitions has been introduced to encourage greater access to democratic process and arrangements for public speaking at meetings of Development Control Panel introduced.

- **Improving the overall Assurance opinion on the System of Internal Control**;

  The percentage of agreed audit actions introduced has increased throughout the year and the number of “slightly late” introductions show that there is a realistic potential for achieving the target in the current year. Paragraph 12 above concludes that the overall system of control is adequate.

- **Put in place effective arrangements to identify and deal with failure in service delivery;**

  The corporate complaints system will be reviewed during 2008/09. Completion by Autumn 2008

- **Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained;**

  A protocol has been developed.

17. Governance Issues

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the Council has identified the following issues for attention in the forthcoming year -

- Put in place effective arrangements to identify and deal with failure in service delivery.
- Tackle areas of comparative under performance
- Maintain the high profile of delivering agreed audit actions on time by effective monitoring, and reviewing achievements when Chief Officer Management Team consider Heads of Service quarterly performance reports.
- Delivery of the Review of Council structure being led by Cabinet Member
- Biennial review of the constitution will be undertaken in spring 2009 to address any issues not dealt with in the structural review.
- Delivery of Improvement plan, (external inspection action plans incorporated into Council Improvement plan i.e. Use of Resources, Value for Money, Data Quality etc).
- Undertake Partnership review programme

During the coming year steps will be taken to address these issues to further enhance the Council's Governance arrangements. In these circumstances we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Council's Improvement Plan and as part of our next annual review.

Signed: ……………………………………………………………………………………

Ian Bates
Leader of the Council

Signed: ……………………………………………………………………………………

David Monks
Chief Executive

Signed: ……………………………………………………………………………………
Terry Parker
Director of Commerce & Technology

I hereby confirm that the Councils Corporate Governance Panel have approved the Governance Statement

Signed: ……………………………………………………………………………………

Councillor C J Stephens
Chairman of the District Council's Corporate Governance Panel

September 2008

Auditor's Report

Independent auditors' report to the Members of Huntingdonshire District Council

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Huntingdonshire District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Huntingdonshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion

In our opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31March 2008 and its income and expenditure for the year then ended

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

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit

Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, We are satisfied that, in all significant respects, of Huntingdonshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

We have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 14 December 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

GRANT THORNTON UK LLP
Byron House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

23 September 2008

Accounting Policies

1. **General**
The Statement of Accounts summarises the council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2007* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflect the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAPs) applicable to Local Government. The main policies adopted in compiling the accounts are set out below.

2. **Accounting Concepts**
These accounts have been prepared in accordance with the underlying concepts of the:
    - Council being a 'going concern' - a continuing business
    - Accrual of income and expenditure – including 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 the underlying concepts above. The accounting statements are prepared with the objective of presenting fairly the financial position and transactions of the authority.

3. **Amounts due (Debtors) and amounts payable (Creditors)**
In the accounts, income and expenditure items are included in the year to which they relate, rather than the year in which cash payments are made or received, by the creation of debtors and creditors. Most of these sums are based on detailed records so no material estimates have had to be included.

4. **Tangible Fixed Assets**
All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Infrastructure and community assets are included in the balance sheet at historical cost, net of depreciation where appropriate. Operational assets, primarily land and property, are included in the balance sheet at the lower of net current replacement cost or net realisable value in current use. Non-operational assets are similarly valued with reference to market value. All assets held at current value were re-valued at 1st April 2004. Such revaluations are made every five years with intermediate indexation.

    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 account.

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.

5. Impairment of assets

Impairment is a change in events or circumstances that results in a reduction in an asset's value. Where this can be attributed to the use of the asset (consumption of economic benefits), rather than a general change in prices, it is charged to service revenue accounts. Otherwise, it is set off against any revaluation gains relating to that asset included in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

A full review of impairment of assets is combined with the five year revaluation. Material impairments between revaluations are reflected in the accounts each year

6. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year.
Purchased software licences are capitalised as intangible assets and initially included on the balance sheet at cost. The outstanding amount is reduced each year by charging a proportion to revenue over the period of economic benefit which is deemed to be 4 years.

7. Sale of Fixed Assets

When an asset is disposed of, the value of the asset in the balance sheet is written off to the Income and Expenditure Account. Receipts from the sale are credited to the Income and Expenditure Account resulting in a gain or loss on disposal.

Income from the sale of assets is a capital receipt and is credited to the Usable Capital Receipts Reserve. It can then be used to finance new capital investment.

8. Leases

Finance leases. The Council leases certain items of vehicles, plant and equipment 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.
Operating leases. Operating lease rental is charged to revenue in the year it is payable under the terms of the lease.

9. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created (e.g. capital grants to other organisations). They are charged to service revenue accounts in the year of expenditure. The cost is met from existing capital resources and a transfer to the Capital Financing Account reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

10. Depreciation

Assets are depreciated over their useful economic life. Straight line depreciation is used for all assets except vehicles and plant which are depreciated over 4 years. The value of each asset is shown net of cumulative depreciation in the balance sheet.

11. Deferred Grants and Contributions

For operational assets, contributions and grants to finance capital expenditure are credited to the deferred grants account and credited to services over the life of the asset. This is a change to the accounting policy where previously the grant and contribution had been netted off capital expenditure in the year of receipt. Grants relating to deferred charges are credited to the asset account in the year in which it is received.

12. Charges to Revenue for Fixed and Intangible Assets

Service revenue accounts, support services and trading accounts are charged for the depreciation on the assets used in the provision of the service. In addition there may be a charge for impairment losses.

The Council is not required to raise council tax to cover this depreciation, but it is required to make an annual provision from revenue to contribute towards the repayment of any loans taken to finance assets. The charges to service revenue accounts for capital are replaced by this provision in the Statement of Movement on the General Fund Balance. As the Council has not yet funded any capital expenditure from loans the 2007/08 Statement simply removes the depreciation.

13. Stock and Work in Progress

The value of stock is included in the accounts at average purchase price. Work in progress is included at cost or net realisable value whichever is the lower in accordance with SSAP 9.

14. Reserves

The Council maintains reserves to meet certain types of expenditure, for future policy purposes and to cover contingencies. They are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure is incurred that is to be financed from a reserve, it is charged to the relevant service revenue account and therefore included in the Income and Expenditure Account. The reserve is then transferred back into the General Fund Balance statement so that there is no charge against council tax for the expenditure.

15. Investments

Investments are shown in the Balance Sheet at market value.

16. Pensions

Cambridgeshire County Council administers the Local Government Pension Scheme in which Huntingdonshire District Council’s employees may participate; it is accounted for as a defined benefits scheme. The accounting policy is to recognise the full liability that the Council 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 FRS17.

Details of the Council's expenditure, income, assets and liabilities relating to The Local Government Pension Scheme, are given on pages 49 to 52.

17. Revenue Grants

Grants and subsidies have been credited to the appropriate revenue account and accruals have been made for balances known to be receivable for the period to 31st March 2008. Government grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account.

18. Allocation of 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 2006;* the basis of the charge varies according to the nature of the support service provided. Administrative buildings are apportioned on the basis of area occupied.

19. Value Added Tax

VAT is not included in the income and expenditure accounts (revenue and capital) as most VAT is recoverable. The only exception is irrecoverable VAT relating to the provision of exempt services, which is charged to the relevant service.

20. Contingent assets and 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. Similarly contingent assets are not included in the accounts but disclosed as notes.

21. Leisure Centre Management Committees

The Leisure Centre Management Committees are constituted under section 102 of the Local Government Act 1972 and consequently are required to report independently of Huntingdonshire District Council by means of separate statements of accounts.

22. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets with a fixed or determinable payment but not quoted in an active market (i.e. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payment (i.e. equity investments)

Loans and receivables 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 no available-for-sale assets

Financial Liabilities
Financial liabilities are initially measured at fair value and are carried at their amortised cost. The Council has the following liabilities measured at amortised cost.

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

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

23. Accounting for home improvement loans
There has been a change in accounting policy in 2007/08 relating to home improvement loans to individuals which in the past have been treated as capital expenditure; from 2007/08 they are accounted for as long-term debtors with a contra entry in the capital adjustment account. The 2006/07 balance sheet has been restated to reflect this change. The loans are included in the balance sheet at fair value.

Income and Expenditure Account

2006/07 Net Expenditure £000		Note	2007/08 Gross Expenditure £000	2007/08 Income £000	2007/08 Net Expenditure £000
	Net Cost of Services				
	Cultural, Environmental & Planning Services				
5,570	Leisure	1	6,393	-841	5,552
5,870	Environmental Services		7,580	-1,448	6,132
3,258	Refuse Collection		3,624	-313	3,311
2,453	Planning and Development	2	5,460	-2,801	2,659
	Housing Services				
2,756	Housing General Fund		27,361	-23,719	3,642
81	Local Taxation Benefits		6,303	-6,146	157
983	Highways and Transportation		2,507	-1,239	1,268
	Central Services				
801	Local Taxation Collection		1,614	-553	1,061
110	Other Central Services		667	-415	252
0	Exceptional item	3	4,748	0	4,748
2,847	Corporate and Democratic Core		3,389	-326	3,063
255	Non-distributed costs		245	-29	216
24,984	**NET COST OF SERVICES**		**69,891**	**-37,830**	**32,061**
	Corporate Income and Expenditure				
-102	Gain on disposal of assets				-46
3,401	Parish Precepts				3,555
-498	Trading undertakings surplus	4			-580
72	Interest payable				55
-2,922	Interest and investment income	5			-2,797
23	Amounts payable into the Housing Capital Receipts Pool				9
137	Pensions interest cost and expected return on assets	12			-57
25,095	**NET OPERATING EXPENDITURE**				**32,200**
	Principal Sources of Finance				
-9,288	Demand on the Collection Fund				-9,874
-1,762	General Government Grants				-1,674
-9,129	Distribution from the Non-domestic rate pool				-9,976
-887	Local Authority Business Growth Incentive Grant				-371
4,029	**DEFICIT FOR THE YEAR**				**10,305**

Statement of Movement on the General Fund Balance

2006/07 £000		2007/08 £000
-18,102	**General Fund Balance brought forward**	**-19,240**
4,029	Deficit for the year (Income and Expenditure Account)	10,305
-5,167	Net amount required by statute and non-statutory proper practices to be credited to the General Fund	-11,475
-1,138	**Increase in General Fund Balance for the year**	**-1,170**
-19,240	**General Fund Balance carried forward**	**-20,410**

The following note explains the items that are required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year

2006/07 £000		2007/08 £000	2007/08 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
-3,674	Depreciation and impairment of fixed assets	-9,090	
103	Government grants deferred amortisation	169	
-2,467	Write downs of deferred charges to be financed from capital resources	-2,084	
1,532	Net gain on sale of fixed assets	734	
-3,354	Net charges made for retirement benefits in accordance with FRS17	-2,893	
0	Amount by which finance costs calculated in accordance with the SORP are different from those required by statute	-173	
-7,860			**-13,337**
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund balance for the year		
-160	Commutation adjustment	-171	
-23	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	-9	
1,996	Employer's contributions payable to the Cambridgeshire County Council Pension fund and retirement benefits payable direct to pensioners	2,411	
1,813			**2,231**
	Transfers to or from the General Fund balance that are required to be taken into account when determining the Movement on the General Fund balance for the year		
880	Net transfer to or from earmarked reserves**		**-369**
-5,167	**Net additional amount required to be credited to the General Fund Balance for the year**		**-11,475**

** excluding Collection Fund

Statement of Total Recognised Gains and Losses

2006/07 £000		2007/08 £000
4,029	Deficit on the Income and Expenditure Account	10,305
-1,054	Surplus arising from the revaluation of assets	-942
-7,043	Actuarial gains (-) and losses on Pension Fund assets and liabilities	-5,863
-75	Deficit/ surplus (-) on the Collection Fund	-31
-4,143	**Total recognised gain (-) / loss for the year**	**3,469**

The movement of £3,469k in 2007/08 represents the reduction in reserves as shown on the balance sheet during the year.

Balance Sheet as at 31 March

2007 restated			2008	
£000		Note	£000	£000
2,864	Intangible assets	13,14		2,503
	Tangible fixed assets			
	Operational assets			
22,721	Land and buildings		23,566	
6,814	Vehicles and plant		6,709	
8,336	Infrastructure		8,589	
1,396	Community asset		1,406	
	Non-operational assets			40,270
18,836	Investment properties		19,528	
5,588	Assets under construction		8,420	
615	Surplus assets, held for disposal		615	28,563
67,170	***Total fixed assets***			71,336
47,107	Investments	17	10,100	
1,322	Long-term debtors	18	1,184	11,284
115,599	***Total long-term assets***			**82,620**
	Current assets			
108	Cash		96	
91	Stock	19	134	
6,907	Debtors	20	7,025	
6,000	Short-term investments		30,250	
403	Payments in advance		455	
13,509			37,960	
	Current liabilities			
-5,800	Creditors	21	-4,634	
-1,384	Receipts in advance		-1,300	
-1,446	Cash overdrawn		-2,050	
-8,630			-7,984	
4,879	***Net current assets***			**29,976**
	Long-term liabilities			
-183	Deferred credits (including capital receipts)		-160	
-408	Deferred grants and contributions		-1,399	
-23,683	Pension scheme liability		-18,302	
-24,274				**-19,861**
96,204	***Total assets less liabilities***			**92,735**
	Financed by:			
68,481	Capital adjustment account	23	70,163	
0	Revaluation reserve	24	942	
28,157	Usable capital receipts reserve	25	16,023	
0	Financial instruments adjustment account		-173	
4,009	Earmarked reserves	26	3,672	
19,240	General Fund balance	26	20,410	
-23,683	Pensions reserve	27	-18,302	
96,204				**92,735**

Terry Parker BA (Hons) FCA, Director of Commerce and Technology 23rd September 2008

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

	2006/07		2007/08	
	£000	£000	£000	£000
Revenue Activities				
Cash outflows				
Employment costs	21,460		23,018	
Other operating cash payments	6,337		10,467	
Precepts paid out	64,469		68,723	
Contribution to the NNDR pool	45,589		47,157	
Housing benefits	20,252		21,903	
Cash inflows				
Council tax receipts	-65,301		-69,388	
Non-domestic rate receipts	-46,248		-47,444	
Non-domestic rate receipts from national pool	-10,337		-9,641	
Revenue support grant	-1,762		-1,674	
Local Authority Business Growth Incentive Grant	-487		-771	
DSS grants for benefits	-25,364		-27,487	
Other Government grants	-2,641		-2,000	
Cash received for goods and services	-3,447		-2,977	
Other operating cash receipts	-5,556	**-3,036**	-3,550	**6,336**
Returns on Investments and Servicing of Finance				
Cash outflows				
Interest paid	170		55	
Cash inflows				
Interest received	-1,795	**-1,625**	-2,797	**-2,742**
Capital Activities				
Cash outflows				
Purchase of fixed assets	14,285		12,895	
Long-term investments	0		0	
Other capital cash payments	3,236	**17,521**	2,018	**14,913**
Cash inflows				
Sale of ex-Council houses	-1,481		-688	
Sale of other assets	-79		-481	
Long-term investments	-26,522		-37,007	
Capital grants received	-1,762		-2,630	
Other capital cash receipts	-1,194	**-31,038**	-1,335	**-42,141**
Net cash inflow before financing		**-18,178**		**-23,634**
Management of liquid resources				
Net increase in short-term deposits		**17,100**		**24,250**
Financing				
Cash outflows				
Cash inflows				
	0	**0**		
Change in balance at bank (- is reduced overdraft)		**-1,078**		**616**

Notes to the Income and Expenditure Account

1. Cost of services - leisure

The Authority contributed the following deficit support to the Leisure Centres in the District which are managed jointly with other bodies

	2006/07		2007/08	
	£000	**£000**	**£000**	**£000**
St Ivo	827		754	
Huntingdon	654		663	
St Neots	596		638	
Ramsey	539		368	
Sawtry	526	**3,142**	442	**2,865**
Other leisure services	397		471	
Parks	2,273		2,164	
Other	184		52	
Less capital charges included above	-426	**2,428**		**2,687**
Net cost of leisure services		**5,570**		**5,552**

2. Building Control

The Building (Local Authority Charges) Regulations 1998 require the costs of providing certain specified elements of the service to break-even over 3 years.

	2006/07	2007/08
	£000	**£000**
Income	-491	-508
Expenditure	460	410
Surplus (-)/deficit	**-31**	**-98**
Cumulative surplus (-)/deficit (3 years)	-13	-141

3. Exceptional item (£4,748k)

There has been material impairment of the Authority's buildings because the valuation of the replacement depot, Eastfield House, is less than the capital cost of building due to the fact that it has been specifically designed to match the Council's need for a particular balance of depot and office facilities. There is no significant market for this particular balance of uses which results in a low valuation. The valuation was carried out externally and independently by LM Catley ARICS.

Impairment would normally be charged to services as part of accommodation overheads, however due to the nature and size of the adjustment it is included in the Income and Expenditure account as an exceptional item. The cost is reversed out in the Statement of Movement on General Fund Reserve so there is no impact on the council tax.

4. Trading Undertakings

The following items are defined as trading undertakings by the SORP. The SORP now requires that notional interest is not charged to service and trading accounts but that it can be taken into account when deciding on the fees and charges to be levied. The table below shows the surplus before the notional interest is taken into account.

	2006/07		2007/08	
	Turnover £000	**Surplus £000**	**Turnover £000**	**Surplus £000**
Markets				
Huntingdon	63	19	55	13
Ramsey	4	-1	5	1
St Ives	139	91	136	76
Management	0	-63	1	-62
	206	**46**	**197**	**28**
Industrial properties	**505**	**293**	**625**	**390**
Commercial properties	**202**	**159**	**225**	**162**
Total before interest	**913**	**498**	**1047**	**580**

5. Interest on Internal Balances

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest on the s106 reserve which is credited to that reserve

6. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans is nil because the Council is debt-free for the purpose of this calculation

7. Expenditure on Publicity

Under section 5 of the Local Government Act 1986, the Authority is required to disclose the level of expenditure on publicity

	2006/07 £000	**2007/08 £000**
Recruitment advertising	105	143
Other advertising	180	200
	285	**343**

8. Members' Allowances

The total paid in 2007/08 was £345k (2006/07 £337k)

9. Employee 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

	2006/07	2007/08
£50,000 - £60,000	3	4
£60,000 - £70,000	10	10
£70,000 - £80,000	2	2
£80,000 - £90,000	1	1
£90,000 - £100,000		2
£130,000 - £140,000	1	
£140,000- £150,000		1

10. Audit and Inspection Fees

	2006/07 £000	2007/08 £000
External audit	75	77
Grant claim certification	22	20
Statutory inspections	6	6
	103	**103**

11. Related Party Transactions

The Council must disclose in the accounts any material transactions with related parties which include Councillors, Chief Officers, Central Government and other Local Authorities. No material transactions have been identified for disclosure that are not reported elsewhere in these Accounts.

12. Pension Costs

Details of pension costs are included in the statement of pension costs, assets and liabilities on page 51.

Notes to the Balance Sheet

13. Assets

All assets held at current value were revalued at 1 April 2004; revaluations are made every five years. The valuations were carried out externally and independently by LM Catley ARICS on the basis of current use and/or market value as appropriate. Accounting policy 10 explains the depreciation policy adopted.

As at 31 March 2008 the Council was contractually committed to capital works valued at approximately £10.4m of which £9.4m related to the new HQ project.

	Operational assets				Non-operational assets			Intangible assets	TOTAL
	Land and buildings (note 1)	Vehicles, plant, equipment	Infra-structure	Community assets	Investment properties (note 2)	Assets under construction	Surplus assets held for disposal	Intangible assets	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net book value 1 April 2007	**22,721**	**6,814**	**8,336**	**1,396**	**18,836**	**5,588**	**615**	**2,864**	**67,170**
Movements in 2007/08									
Additions	7,003	1,316	600	10	68	2,998		899	**12,894**
Disposals	-56	-9			-220				**-285**
Revaluations	267				675				**942**
Depreciation	-852	-1,412	-422					-1,260	**-3,946**
Impairment losses	-5,430					-9			**-5,439**
Adjustment	-87		75		169	-157			**0**
Net book value 31 March 2008	**23,566**	**6,709**	**8,589**	**1,406**	**19,528**	**8,420**	**615**	**2,503**	**71,336**

Notes

1. The Council operates five leisure centres, managed jointly with other bodies, provided by the Council on land associated with schools. These were revalued in 2006/07 and are now included in the accounts at current cost.

2. Investment properties are generally held for economic development purposes, but are required to be shown as investment properties. The revaluation figure reflects the fact that part of the Pathfinder House site has received planning permission for housing.

Major assets held at 31 March 2008	Number
Offices	3
Depots	1
Leisure centres	5
Markets	2
Bus stations	2
Public conveniences	9
Car parks	25
Mobile home park	1
Country parks and recreation grounds	7
Vehicles and plant	130
Investment properties	132
Surplus assets held for disposal	7

14. Financing of Capital Expenditure

	2006/07 £000	2007/08 £000
Capital receipts	17,598	13,888
External contributions and capital grants	1,693	2,631
Revenue	0	0
Total financed	**19,291**	**16,519**

15. Deferred Charges

	Balance 1.4.07 £000	Expenditure £000	Grants £000	Depreciation £000	Balance 31.3.08 £000
Grants for leisure projects	0	164		-164	0
Improvement grants	0	1,387	-745	-642	0
Housing Association grants	0	850		-850	0
Grants for community projects	0	317		-317	0
Other	0	45		-45	0
	0	**2,763**	**-745**	**-2,018**	**0**

16. Leases

In previous years the Council has used finance leases to meet the cost of vehicles, plant and equipment.

	2007 £000	2008 £000
Assets held under finance leases		
Value of assets acquired in the year	0	0
Total capital value of lease agreements	208	208
Lease rentals paid in the year	0	0
Assets held under operating leases		
Payments	1	1
Future commitments as at 31st March	0	0

17. Long-term Investments

	2007 £000	2008 £000
Long-term investments held at 31 March		
Investec Investment Fund	21,496	0
Alliance Bernstein Investment Fund	11	0
City Deposit Brokers Investment Fund	25,500	10,000
Other (net of provision for losses)	100	100
	47,107	**10,100**

Most surplus cash held in the Council's reserves was invested through the services of external fund managers, Investec and CDCM. In July 2007 the Council provided the required notice to Investec and requested the return of £21.5m long term investments to the Council. These are managed in-house to meet the Council's cash flow requirements over the next two years.

The funds managed by CDCM and those returned by Investec are all invested in cash instruments in order to achieve a rate of return on investment that is in excess of that achievable at Local Authority 7-day money market rates. The interest rate risk exposure resulting from these investments is minimal because all the investments are at fixed rates.

Other long-term investments at 31 March 2008 of £0.1m (net) include £0.4m invested with Chancery bank, of which £0.3m is converted to share capital as a consequence of financial restructuring of the Bank. Because it is in administration, an equal provision is made against losses.

18. Long-term Debtors

	Balance 1.4.07 £000	Repayments /new advances £000	Balance 31.3.08 £000
Loans – St Neots Town Council	125	-9	116
Housing advances	636	-20	616
House improvement loans *	498	-120	378
House mortgages	49	-14	35
Employee loans	14	25	39
	1322	**-138**	**1,184**

* Balance at 1/4/07 restated due to change in accounting policy to treat house improvement loans as long-term debtors rather than capital expenditure. They are then valued at fair value to meet the requirements of SORP 2007

19. Stock

	31.3.07 £000	31.3.08 £000
Diesel	7	43
Printing	16	26
Refuse sacks	37	22
Rail passes	7	19
Car park tickets	8	11
Other	16	13
	91	**134**

20. Debtors

	31.3.07 £000	31.3.08 £000
Amounts falling due in one year:		
Government Departments	1,008	1,049
NNDR National Pool	25	360
Cambridgeshire County Council	223	232
Other Public Authorities	99	149
Huntingdonshire Housing Partnership	1,475	779
Housing tenants	320	215
Local taxation	1,808	1,922
NNDR payers	361	299
Investment interest	1,538	1,050
General debtors	1,417	2,896
Loans to employees of less than 1 year	58	13
Total debtors	**8,332**	**8,964**
Less provision for bad debts	-1,425	-1,939
Net Position	**6,907**	**7,025**

21. Creditors

	31.3.07 £000	31.3.08 £000
Government Departments *	1,655	641
Local Authorities	247	468
Leisure Centre Management Committees	304	15
Other	3,594	3,510
	5,800	**4,634**

* This includes a creditor of £315k which is VAT due on off-street parking. However the question of whether or not VAT is payable on off-street car parking is not resolved and is currently being considered by the European Court of Justice. Depending on the outcome this sum may not be payable.

22. Reserves

The Council maintains 6 types of reserves, some are available to meet expenditure and others are not:

- Capital reserves (revaluation reserve and the capital adjustment account) that are brought about by the capital accounting arrangements and cannot be used to meet expenditure
- Usable capital receipts reserve represents the balance of capital receipts that are available to finance capital expenditure
- Earmarked revenue reserves are available to finance revenue expenditure but only for specified purposes
- General fund balance is available to support revenue and capital expenditure
- Financial instruments adjustment account represents the difference in the carrying value of home improvement loans and the fair value taking into account the loss of interest due to the loans being interest-free; it does not affect the Authority's resources
- Pension fund liability represents the balance on the pension fund, which is an accounting entry to meet the requirements of FRS17 and does not affect the resources available to the Council.

23. Capital Adjustment Account

The credit balance on the Fixed Asset Restatement Account (£23,194k) has been combined with the balance on the Capital Financing Account (£91,675k) to create the new Capital Adjustment Account with an opening balance of £68,481k.

	2007/08	
	£000	£000
Balance as at 1st April		**68,481**
Financing of capital expenditure		
Capital receipts	13,888	
External grants and contributions	2,630	16,518
Provision for depreciation	-3,921	
Deferred charges and debtors	-5,300	
Commutation adjustment	-171	
Impairment	-5,169	
Disposal	-275	-14,836
Balance as at 31st March		**70,163**

24. Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted to reflect the implementation of the Revaluation Reserve. It has been included in the Balance Sheet with a zero opening balance. The Revaluation Reserve therefore only shows revaluation gains since 1 April 2007.

25. Usable Capital Receipts

	2006/07		2007/08	
	£000	£000	£000	£000
Balance as at 1st April		**29,445**		**28,157**
Receipts				
Sale of Council houses	1,439		688	
Sale of land and other buildings	79		392	
Repayment of loans	41		43	
Improvement grants	49		46	
Non-specified investments	14,633	16,241	585	1754
Receipts applied during the year		-17,529		-13,888
Balance as at 31st March		**28,157**		**16,023**

26. Revenue Reserves

	Balance 1.4.07	Movement	Balance 31.3.08
	£000	£000	£000
Earmarked reserves:			
S106 agreements	1,257	-379	878
Commuted S106 payments reserve	1,055	29	1,084
Repairs and renewals funds	948	163	1,111
Delayed projects reserve	615	-280	335
Other reserves	144	99	243
	4,019	**-368**	**3,651**
Collection Fund	-10	31	21
	4,009	**-337**	**3,672**
General fund balance	**19,240**	**1,170**	**20,410**

27. Pensions reserve

	Balance 1.4.07 £000	Movement £000	Balance 31.3.08 £000
Pensions reserve (see page 51)	-23,683	5,381	-18,302

28. Contingent Assets and Liabilities

Contingent Assets

1. The Authority has settled a claim for negligence from an ex-employee and with legal costs the claim totals £218k as at 31 March 2008. There is a dispute between the two insurance companies that covered the Council during the relevant periods, over which is liable to meet this claim and the matter is being taken to Court for a legal opinion. The Authority expects that one of the insurance companies will be found responsible and will reimburse the settlement.

Contingent liabilities

1. Following the transfer of the Council's housing stock to Huntingdonshire Housing Partnership in 2000 the Council bears continuing unlimited liability in two respects:
   - Necessary associated sewer maintenance in excess of £65k p.a.
   - Environmental pollution arising on the land transferred

2. In 2003 it was determined that discretionary rate relief should not have been granted to the five Leisure Centre Joint Committees. Legal advice concluded that correction only needed to be made in the accounts back to 2001 though this cannot be certain until a decision by DCLG. As a result of the legal opinion, no financial provision has been made for the value of the relief from the start of the current non-domestic rates system until April 2001 which is estimated at £1m.

3. 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 2008 the maximum clawback is £574k.

4. Her Majesty's Revenue and Customs has indicated that all VAT will be recoverable including that which previously was irrecoverable relating to the provision of exempt services. The accounts have been based on recovering this VAT but as a statutory notice to this effect has not been received it is included as a contingent liability. The revenue impact is estimated to be £138k and capital impact £106k

5. The Environmental Protection Act 1990 Part IIA makes the Council liable for the revenue costs of remediation of contaminated land where no other responsible person can be identified

29. Financial Instruments

Financial instruments by category

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

31 March 2007 £000		31 March 2008 £000
	Financial assets by class	
	Loans and receivables	
6,907	Debtors due within one year	7,025
1,322	Debtors due after one year	1,184
47,107	Long-term investments	10,100
6,000	Short-term investments	30,250
108	Cash and equivalents	96
61,444	*Total loans and equivalents*	*48,655*
61,444	**Total financial assets**	**48,655**
	Financial liabilities by class	
	Other liabilities at amortised cost	
5,800	Creditors payable within one year	4,634
1,446	Bank overdrafts	2,050
7,246	*Total other liabilities at amortised cost*	*6,684*
7,246	**Total financial liabilities**	**6,684**

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 can be assessed by calculating the present value of the cash flows.

The fair values of the Council's financial instruments, together with the carrying amounts included on the balance sheet are analysed as follows:

31 March 2007			31 March 2008	
Carrying amount	Fair value		Carrying amount	Fair value
£000s	£000s		£000s	£000s
		Financial assets		
		Loans and receivables		
8,229	7,831	Total debtors	8,209	7,826
53,107	51,048	Total investments	40,350	39,481
108	108	Cash and equivalents	96	96
61,444	**58,987**	**Total**	**48,655**	**47,403**
		Financial liabilities by class		
		Other liabilities at amortised cost		
5,800	5,800	Total creditors	4,634	4,634
1,446	1,446	Bank overdrafts	2,050	2,050
7,246	**7,246**	**Total**	**6,684**	**6,684**

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

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

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.

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.

All trade and other payables are due to be paid in less than one year

Notes to the Cash Flow Statement

30. Reconciliation of the net deficit on the Income and Expenditure Account to the movement in cash on revenue activities

	2006/07		2007/08	
	£000	£000	£000	£000
Net revenue activities cash flow		-3,036		6,336
Net interest received	-2,850		-2,742	
Depreciation	3,674		3,920	
Adjustment for stock, debtors and creditors	4,027		1,118	
Deferred charges	2,467		2,018	
Sale of council houses	-1,439		-688	
Capital grants	-103		-102	
Pensions appropriation	1,358		482	
Surplus on sale of fixed assets	-92		-46	
Housing capital receipts pool	23	7,065	9	3,969
Income and Expenditure Account deficit		**4,029**		**10,305**

31. Reconciliation of net cash flow to the movement in net funds

	1.4.07 £000	Movement £000	31.3.08 £000
Cash in hand	108	-12	96
Cash overdrawn	-1,446	-604	-2,050
Short-term borrowing	0	0	0
Short-term investments	6,000	24,250	30,250
	4,662	**23,634**	**28,296**

32. Analysis of change in management of liquid resources and financing

	1.4.07 £000	Movement £000	31.3.08 £000
Short-term borrowing	0	0	0
Short-term investments	6,000	24,250	30,250
	6,000	**24,250**	**30,250**

Liquid resources are loans and investments of less than 1 year which are used to manage the cash flow of the Authority. The increase in short-term investments is due to the cash requirements of the Council and is reflected in a decrease in long-term investments.

33. Analysis of Government Grants

	2006/07		2007/08	
	£000	£000	£000	£000
Revenue support grant		1,762		1,674
Benefits grants:				
Council tax benefits	5,543		5,831	
Rent allowances	19,821	25,364	21,656	27,487
Other:				
Local Authority Business Growth Incentive Grant	487		771	
Other capital grants	1,138		1,429	
Benefits administration	887		979	
Other	1,266	3,778	1,124	4,303
		30,904		33,464
Debtor		488		-66
		31,392		**33,398**

Collection Fund

2006/07				2007/08	
£000	£000		Note	£000	£000
	-646	**Balance brought forward 1st April**			**-73**
65,665		Council tax income	2	69,196	
74		Transfers from General Fund		-7	
5,485		Council tax benefits		5,776	
-221	**71,003**	Change provision for non-collection	4	306	**75,271**
		***Less* Precepts on the Fund**			
-50,181		Cambridgeshire County Council		-53,575	
-8,040		Cambridgeshire Police Authority		-8,584	
-2,847		Cambridgeshire Fire Authority		-3,009	
		Huntingdonshire District Council:			
-5,961		General expenses		-6,312	
-3,401	**-70,430**	Parish Precepts		-3,555	**-75,035**
	-73	**Deficit-/surplus on council tax**			**163**
45,813		**NNDR collectable**		47,382	
-224		*less* Government contribution to cost of collection		-225	
-45,589	**0**	*less* payment due to National Pool	5	-47,157	**0**
	-73	**Deficit- /surplus carried forward at 31st March**			**163**

Notes to the Collection Fund

1. These accounts present the movements in the Collection Fund, which is a statutory fund 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.

The surplus on the Collection Fund is split between that relating to Huntingdonshire District Council (£21k surplus) which is included in the earmarked reserves on page 40 and the amounts due from the precepting authorities which are included as debtors in the Balance Sheet.

2. (a) Parish and Town Council precepts are transferred to the General fund before being paid to the Parish or Town Council

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

(c) The balance at the year end is distributable between the major precepting bodies in proportion to their respective precepts in 2008/09
(d) In the accounts of the Council the balance attributable to this Authority is a reserve, but the sums due to or from the major precepting authorities is treated as a creditor or debtor

3. Precepts and demands

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

	2006/07	2007/08
	£000	£000
Cambridgeshire County Council	50,181	53,557
Cambridgeshire Police Authority	8,040	8,581
Cambridgeshire Fire Authority	2,847	3,009
St Neots Town Council	669	696
Huntingdon Town Council	540	570
St Ives Town Council	474	469

4. Council Tax

	2006/07		2007/08	
	£000	£000	£000	£000
Base debit	79,390		83,877	
Add MOD contribution	506	79,896	527	84,404
Deduct Property exemptions	-3,507		-3,786	
Disability exemptions	-84		-87	
Discounts	-5,155		-5,559	
Write offs	-153		-131	
Provision for non-collection	-68	-8,967	437	-9,126
		70,929		**75,278**

Taxbase at 31 March 2008

Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	10,849	2,101	0.67	5,861
B	17,945	2,350	0.78	12,130
C	16,687	1,737	0.89	13,289
D	10,915	993	1.00	9,921
E	8,167	712	1.22	9,112
F	3,294	263	1.44	4,378
G	1,608	116	1.67	2,487
H	140	21	2.00	238
Total	**69,605**	**8,293**		**57,416**

	2006/07	2007/08
Council tax charge per band D property	£1,245	£1,306
Actual taxbase used (Band D equivalent)	57,137	57,402
Estimated taxbase	56,939	57,434

5. National Non-domestic Rates (NNDR)

	2006/07		2007/08	
	£000	£000	£000	£000
NNDR based on uniform business rate	52,193		54,948	
Adjustment to previous years	-373		-1,098	
Less Mandatory relief	-5,875	**45,945**	-6,292	**47,558**
Less Discretionary relief	-85		-92	
Add Charity relief from General Fund	22	-63	23	-69
Net yield		**45,882**		**47,489**
Less Collection costs & interest on refunds	-235		-273	
Less irrecoverables & provision for bad debts	-58	-293	-59	-332
Contribution to National Pool		**45,589**		**47,157**

The uniform business rate set by the Government for 2006/07 was 44.4p (2006/07 43.3p)

Total ratable value at 31 March 2007 £123.2m
Total ratable value at 31 March 2008 £125.3m

6. Irrecoverables and Provisions for bad debts

Council Tax

	2006/07	2007/08
Change in Bad Debt provision	68	-437
Irrecoverables	153	131
Total	**221**	**-306**

NNDR

	2006/07	2007/08
Change in Bad Debt provision	-157	-59
Irrecoverables	215	118
Total	**58**	**59**

Pension Costs, Assets and Liabilities

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 in accordance with Financial Reporting Standard No 17, Retirement Benefits (FRS17), which requires the Council to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

However, as explained below, the fund's actuary made various assumptions about future investment returns in calculating the scheme assets. These returns are significantly affected by the performance of equities and so, if the current uncertainty in the financial markets continues, this could lead to a significant change in the value of the fund at the next valuation.

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 scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

3 Revenue cost to Huntingdonshire District Council in 2007/08

In 2007/08 the Council paid an employer's contribution of £2.23m representing 14.3% of employees' pensionable pay into Cambridgeshire County Council's Pension Fund (£1.83m and 12.1% in 2006/07), which provides scheme members with defined benefits related to pay and service.

4 Discretionary Payments

In addition, the Council has liabilities for discretionary pension payments outside of the main scheme. These additional payments relating to added years benefits that were awarded, together with the related increases in 2006/07, amounted to £186k representing 1.2% of pensionable pay (£170k and 1.1% in 2006/07).

There were no capital costs of discretionary increases in pension payments agreed by the authority during 2007/08 (£34,800 in 2006/07).

5 Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The rate for 2007/08 was determined on the basis of contribution rates set in the 2004 valuation. The latest (2007) valuation of the Pension Fund concluded that to meet future funding required higher rates 16.3% (from 1 April 2008), 18.4% (from 1 April 2009) and 20.4% (from 1 April 2010) to meet estimated liabilities in accordance with Government regulations.

Due to reduced returns, the new contribution rates are no longer adequate to cover 100% of the liabilities and these notes outline the latest position according to the fund actuary.

The valuations, for the purposes of FRS17, are based on the latest formal valuation as at 31 March 2007 and rolled forward by Hymans Robertson, the independent actuaries to the County Council Fund. Liabilities are valued using the projected unit method, which assesses the future liabilities of the fund discounted to their present value as at 31 March 2008.

6 Assumptions Used for Valuation of the Fund

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

County Fund – Main Assumptions	**Valuations as at**	
	31 March 2007	**31 March 2008**
- rate of inflation	3.2%	3.6%
- rate of increase in salaries	4.7%	5.1%
- rate of increase in pensions	3.2%	3.6%
- rate of discounting scheme liabilities	5.4%	6.9%

In accordance with CIPFA guidance the discount rate employed for the 2007/08 financial year is the yield available on long-dated, high quality corporate bonds at the FRS17 valuation date.

It should be noted that if the age profile of the active membership is rising significantly then, under the projected unit method, the current service costs will increase as the members of the scheme approach retirement.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The actuary has included an allowance for 25% of future retirements to elect additional lump sum payment. The financial impact of this commutation is included in the actuarial gain/loss in the pension fund.

The actuary in preparing the balance sheet at 31 March 2008 and the revenue account to 31 March 2008, has made allowance for the removal of the ‘Rule of 85’ for new entrants from 1 October 2006 where any new entrants were included in the membership data for the formal valuation at 31 March 2007. No allowance has been made for the effect of the abolition of the ‘Rule of 85’ for new entrants since 31 March 2007.

7 Huntingdonshire District Council’s Assets and Liabilities in the Fund

The position is outlined below and takes into account the commitments from discretionary payments outside the main scheme

	2006/07 £000	2007/08 £000
Share of assets in County Council Fund	75,939	70,795
Present value of scheme liabilities	-96,873	-86,278
Present value of discretionary pensions	-2,749	-2,819
Net pension liability	**-23,683**	**-18,302**

The impact on the Council's assets and liabilities, 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 mean that employer's pensions contributions will be varied from year to year to meet the liabilities as assessed by the scheme actuary.

8 Total County Pension Fund Assets

Assets are valued at fair value, principally market value for investments, and consist of:

	Expected Rate of Return per annum		Proportion of Total assets held by the Fund	
	31 March 2007	**31 March 2008**	**31 March 2007**	**31 March 2008**
Equity Investments	7.8%	7.7%	74%	70%
Bonds	4.9%	5.7%	11%	13%
Property	5.9%	5.7%	13%	12%
Cash	4.9%	4.8%	2%	5%
Total Fund Assets	**7.2%**	**7.0%**	**100%**	**100%**

9 Movement in Net Pension Liabilities

The movement in the net pension liabilities for Huntingdonshire District Council is analysed below.

	2006/07		2007/08	
	£000	**£000**	**£000**	**£000**
Deficit as at 1 April		**-29,370**		**-23,683**
Current service cost	-3,182		-2,950	
Employer Contributions	1,828		2,232	
Contributions for Unfunded Benefits	168		179	
Past service costs	0		0	
Impact of settlements and curtailments	-35		0	
Net return on assets	-137	-1,358	57	-482
Actuarial gains/losses (-)		7,045		5,863
Deficit as at 31 March		**-23,683**		**-18,302**

The charge to the Income and Expenditure Account is reduced by £482k appropriation to the pension reserve.

The actual gain/loss can be further analysed as follows.

	2006/07 £000	2007/08 £000
Actual return less expected return on pension scheme assets	726	-9175
Change in financial assumptions underlying the present value of liabilities	6,038	15,699
Experience gains and losses arising on the scheme liabilities	281	-661
Actuarial gain/loss(-) in pension plan	**7,045**	**5,863**
Actuarial gain/loss(-) as a percentage of net pension liability	29.7%	32.0%

10 Charges to expenditure

Charges to service accounts are based on an appropriate share of current service cost (the increase in future benefits arising from service in the accounting year). Discretionary benefits awarded on early retirement are charged to service accounts as they become payable.

Interest costs and expected return on assets are included within the Income and Expenditure Account, increasing the net operating expenditure. However, an appropriation to the pensions reserve replaces these entries with the actual employer's contributions paid in the year, meaning that there is no net effect on the General Fund result for the year.

11 Further information

Further information about the Pension Fund can be found in Cambridgeshire County Council's Pension Fund Annual Report, which is available on request from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.