# Statement of Accounts
# For the year ended 31 March 2009

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|---|---|
| Chairman of the Council 2008/09 | Councillor J Davies |
| Leader of the Council 2008/09 | Councillor I C Bates |
| Executive Councilor for Finance 2008/09 | 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

**INTRODUCTION**

In order to ensure that the financial accounts of local authorities are reliable, comparable and understandable a Statement of Recommended Practice (SORP) has been created which sets out how they should be prepared and what they must include. The Council's external auditors, appointed by the Audit Commission, ensure that Huntingdonshire's accounts comply with this SORP and that they 'present fairly' the financial position and transactions of the Council.

The SORP is updated annually to reflect the latest national and international developments. The section on Accounting Policies gives some explanation of the main aspects. The changes this year are not significant.

This booklet presents the accounts of Huntingdonshire District Council for the period from 1 April 2008 to 31 March 2009. It includes an Annual Statement on Governance which describes how the Council ensures that proper standards are maintained and that there is effective stewardship of public money.

The first account is the Income and Expenditure Account which shows the total costs of providing the Council's services and how they were funded. This is based on the SORP but the Government has defined certain adjustments, mainly relating to pensions and capital financing, that can be made to reduce the amount that Council Tax payers must meet and these are shown in the Statement of Movement on the General Fund Balance.

The Balance Sheet summarises the Council's assets and liabilities at the end of the year (31 March 2009) and the Cash Flow Statement sets out where the money came from and how it was spent. Explanatory notes give greater detail.

There is a separate account for the Collection Fund which shows the amounts collected from Council Tax and Business Rate payers. It shows the sums passed to the Government (business rates) the County Council, the Fire and Police authorities and Town and Parish Councils together with any surplus or deficit.

A section is also included which explains the current position on the Pension Fund.

**FINANCIAL SUMMARY 2008/09**

The paragraphs below highlight the key points relating to the Council's financial position recorded in the accounts. They are followed by a simplified versions of the Income and Expenditure account.

**Revenue Spending**

The original budget had a deficit of £1.6m which it was planned to fund from reserves. The Council has spent £470k less than expected, though £274k of spending on projects has been deferred to 2009/10. £1.2m of reserves will therefore be needed to cover the deficit.

The main items leading to the lower spending this year were additional investment interest (-£329k), extra recharges to capital (-£270k), leisure centre savings (-£245k), extra government grant (-£150k), full recovery of VAT (-£105k) and deferred schemes (-£274k). This has been significantly off-set by additional concessionary fares costs (+£257k), and reduced income (+£587k) from land charges, car parks, planning and rents.

| 2007/08 | Revenue spending | 2008/09 | | |
|---|---|---|---|---|
| Outturn | | Budget | Outturn | Variation |
| | | £000 | £000 | £000 |
| **17,078** | **Net Expenditure** | **20,420** | **19,950** | **-470** |
| | **Funded from:** | | | |
| -11,650 | Government Support (RSG + NNDR) | -12,158 | -12,158 | 0 |
| -6,326 | Council Tax | -6,668 | -6,668 | 0 |
| 7 | Collection Fund Deficit | 28 | 28 | 0 |
| 891 | Deficit funded (-) from Reserves * | -1,622 | -1,152 | -470 |
| **-17,078** | | **-20,420** | **-19,950** | |

*General Reserve and Delayed Projects Reserve

**Capital Spending**

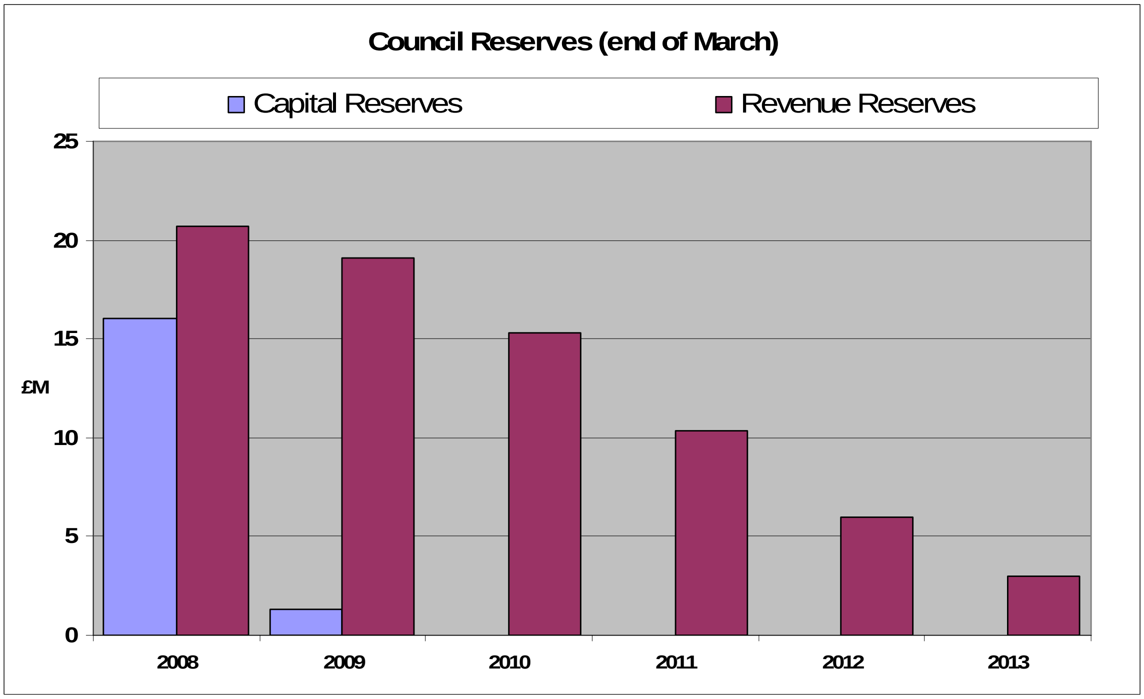
The original net budget was for £16.2m and assumed that there would be schemes brought forward from 2007/08 of £1.3m and, due to the high level of spending, a carry forward to 2009/10 of £2m. Progress on schemes has been much better than expected with only £1m being brought forward at the start of the year and, after allowing for savings of £0.4m and additional recharges from revenue to capital of £0.4m, only £0.3m of schemes need to be deferred to 2009/10.

| Capital Spending | 2008/09 £000 |
|---|---|
| Environmental Services | 219 |
| Industrial and Economic Development | 1,667 |
| Parks and Countryside | 766 |
| Leisure Centres | 2,919 |
| Community Grants | 156 |
| Housing | 3,856 |
| Community Safety | 162 |
| Highways and Transportation | 1,515 |
| Vehicles and Plant | 130 |
| Office accommodation (new Customer Services Centre and Offices in St Mary's Street) | 6,989 |
| IT | 1,266 |
| Other | 318 |
| **Gross** | **19,963** |
| **Less** external contributions and capital grants | -3,081 |
| **Net** | **16,882** |
| **Funded from** | |
| Capital Reserves (capital receipts) | 16,434 |
| Borrowing | 447 |
| Revenue | 1 |

**Reserves**

As a result of these levels of revenue and capital spending, our reserves have fallen by over £17m in the last year, £16m capital and £1.2m revenue. Capital reserves are virtually exhausted and so future capital expenditure will need to be financed from borrowing.

The Council's last financial forecast was produced in February and showed revenue reserves falling to £3m (our current estimate of the minimum level required) over the next few years as shown in the chart below:




The forecast will be reviewed again in September to take account of the latest information including the 2008/09 outturn.

**Balance Sheet Adjustments**

There have been some significant changes in the Balance Sheet this year relating to Capital Impairment, Long Term Borrowing and the Pensions Reserve.

Capital Impairments or reductions in asset values are caused by one or a combination of the following items. Firstly, falling rental values due to economic downturns such as we are currently facing. Secondly, where a completed capital project, normally a building, is valued at a lower sum than it cost to construct because the building had been designed to meet a specific Council need for which there may no or very limited market demand for the specific configuration or size. This occurred when Eastfield House was completed due to few organisations needing that particular mix of depot and office requirements. Finally when a building is falling into disrepair or is demolished.

All the Council's properties were revalued as at 1 April 2009 and whilst there were increases in value of £7.2m there were substantial impairments of £19.6m. Of this sum £11.4m related to Pathfinder House (new building and demolishing of old building) and

£6.1m to the Council's commercial and industrial properties. Impairment is normally charged to services in the final accounts unless they are deemed to be exceptional because of their nature and/or scale. The Eastfield House adjustment last year and the Pathfinder House adjustment this year have been treated as exceptional to recognise that they were predominantly not due to the general fall in rental values and to avoid the major distortion that would arise when office/depot costs are allocated to the majority of Council services thus making comparison with other authorities impossible.

Following discussion with the Council's external auditor, the Council decided to borrow long term funds, in anticipation of Capital Reserves running out, if the interest rates were particularly low. Rates were very low in January and so £10m was borrowed.

The pension fund's actuary reviews the adequacy of the pension fund to meet future liabilities each year. This year he has taken into account the additional employee's contributions, assumptions about longevity and the impact on the funds investments from falls on the stock market resulting from the recession. The net effect is that the eventual forecast deficit has risen from £19m to £30m. In the short and medium term there are adequate funds to meet all pension payments.

Such calculations tend to be, rightly, cautious but investments are predominantly in the stock market because, over the long term, returns have been good. If this continues to be true then future valuations will improve.

There are more detailed valuations of the Pension Fund every three years and these result in changes to the employer's contribution rate so that the Fund will become sufficient in the long term. The rate for 2008/09 was 16.3%, an increase from 14.3% the previous year, and the Council's MTP already provides for increases in 2009/10 and 2010/11 resulting from the last valuation.

**Treasury Management**
In June, the Council's Cabinet will receive a report on Treasury Management activity during 2008/09. It explains how the Council considered the most effective way to invest its funds in the light of the problems with Icelandic banks. The view was taken that institution with high credit ratings and UK building societies should continue to be used as the Government has a history of protecting building societies (recently reinforced when the Dunfermline BS got into difficulties). The report also highlights that the Council's investments exceeded their benchmarks – in-house by 1.8% and our external fund manager by 0.8%.

**SIMPLIFIED REVENUE INCOME AND EXPENDITURE ACCOUNT**

The following table shows a simplified combination of the Income and Expenditure Account and the Statement of Movement on the General Fund Balance.

| 2007/08 Actual | Revenue Income and Expenditure | 2008/09 Actual | |
|---|---|---|---|
| £000 | | £000 | £000 |
| 69,891 | **Gross Expenditure** | 87,656 | |
| -11,978 | **Less** government prescribed adjustments** | -23,541 | |
| **57,913** | | | **64,115** |
| | **Income and other items** | | |
| -7,432 | Fees and charges | -8,313 | |
| -29,710 | Government grants including reimbursement of housing and council tax benefits | -32,800 | |
| -2,742 | Investment Income | -2,491 | |
| -580 | Trading undertakings deficit (+) / surplus (-) | -363 | |
| **-40,464** | | | **-43,967** |
| **17,449** | **Total to be funded** | | **20,148** |
| | **Funding** | | |
| -6,319 | Council Tax | -6,640 | |
| -2,045 | General Government Grants | -1,685 | |
| -9,976 | NNDR from national pool | -10,671 | |
| **-18,340** | | | **-18,996** |
| **+891** | **Surplus to or deficit (-) met from reserves** | | **-1,152** |
| | **Revenue Reserves used (-)** | | |
| +1,171 | General Revenue Reserves | -1,091 | |
| -280 | Provision for delayed projects | -61 | -1,152 |

**The most significant of the Government prescribed adjustments are the removal of:

- the depreciation, impairment and deferred charges relating to capital assets
- extra costs included for retirement benefits in excess of the normal employer's contributions.

**CONCLUSION**

The Council has been independently judged as "excellent" overall and continues to perform well in its use of resources despite the test becoming more difficult. It continues to focus its service developments on those areas that local people see as a priority.

It has a robust Medium Term Plan and Financial Forecast through until 2023/24 to ensure that future spending fully takes account of its longer term implications. A future need for spending adjustments through extra grant income, increased fees and charges, efficiency improvements and service adjustments has been identified. Lower spending than expected in 2008/09 gives more flexibility to plan these adjustments. The delivery of these targets will balance service delivery with limited increases in the Council Tax.

**Terry Parker**
Director of Commerce & Technology
23 June 2009

# 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 2009

## The Responsibilities of the Director of Commerce and Technology

In preparing this Statement of Accounts which present fairly the financial position of the Authority at 31 March 2009 and its income and expenditure for the year ended 31 March 2009, I have:

- Selected suitable accounting policies and applied them consistently
- Made judgments 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**
Director of Commerce and Technology
Dated 23 June 2009

# Annual Statement on Governance

# Auditor's Report

# Accounting Policies

**1. General**

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice 2008* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy which reflects 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**

The underlying concepts of the accounts include the:

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

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

Accounts are prepared under the historic cost convention, modified by the revaluation of land and building and the use of fair values for home improvement loans. Investments are included in the balance sheet at market value but their fair value is shown in note 30

**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. Revenue Expenditure funded from Capital under Statute**

From 2009/09 "deferred charges" are recategorised as "revenue expenditure funded from capital under statute". They represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

5. **Intangible Fixed Assets**

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

6. **Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition**: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

**Measurement**: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Non-operational assets - market value
- Other land and buildings (operational assets used for delivery of services) – market value
- Other land and buildings (specialised properties)- depreciated replacement cost
- Vehicles, plant & equipment and infrastructure assets - depreciated historical cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

**Impairment**: the values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account

- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals**: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal.

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The balance of receipts is credited to the Capital Reserve, and can then only be used for new capital investment or to repay borrowing. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance (SMGFB).

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the (SMGFB).

**Depreciation**: depreciation is provided for on all assets with a determinable finite life (except for land, community assets and non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Operational Buildings - 50 years (less if there is evidence to the contrary)
- Vehicles, plant and equipment – 25% reducing balance
- Infrastructure – variable depending on the asset to a maximum of 40 years
- Land – Depreciation not charged
- Community Assets - Depreciation not charged
- Non-operational Assets - Depreciation not charged

**7** **Grants and contributions**: where grants and contributions are received for operational fixed and intangible assets, the amounts are credited to the Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them. For grants and contributions received for non-operational assets or items treated as revenue expenditure funded from capital under statute (see note 4 above) they are credited to the asset account in the year they are received thus reducing the net cost of the asset.

**8. Charges to Revenue for Fixed Assets**

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, starting in 2009/10, the year following its first use of borrowing to fund capital expenditure it must make an annual provision to repay this borrowing. The basis for this provision is significantly restricted by legislation and the Council is required to formally approve a policy for the calculation of this provision within the significant limitations of the legislation and this will be dealt with at its September 2009 meeting ready for implementation in the 2009/10 accounts.

Depreciation, impairment losses and amortisations will therefore be replaced by this provision in the SMGFB, by the way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

**9. Leases**

**Finance leases.** The Council has no finance leases in primary rental. The leases are for industrial units and certain items of equipment leased from Finance Companies. They are capitalised and included in the fixed assets shown on the balance sheet. They are accounted for using the policies applied to tangible fixed assets.

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

**10. Stock and Work in Progress**

The value of stock is included in the accounts at the lower of cost and net realisable value. Work in progress is included at cost

**11. Reserves**

The Council maintains reserves to meet certain types of expenditure, for future policy purposes and to cover contingencies; they are included in the balance sheet as the General Fund Balance, Capital Reserve and Earmarked Reserves. 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.

However there are other reserves, the Capital Adjustment Account, Revaluation Reserve, Financial Instruments Adjustment Account and Pensions Reserve, that cannot be used to finance expenditure.

**12. Interest Receipts**

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

**13. 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.

The opening balance on the Balance Sheet has been restated to comply with the latest requirements.

Details of the Council's expenditure, income, assets and liabilities relating to The Local Government Pension Scheme, are given on pages 46 to 50.

**14. 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 2009. Government grants to cover general expenditure are credited to the Income and Expenditure Account. These include the Revenue Support Grant and for 2008/09 Area Based Grant (ABG) which replaces the Local Area Agreement Grant.

**15. 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 2008.* The basis of the charge varies according to the nature of the support service provided (e.g. administrative buildings are apportioned on the basis of area occupied) .The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

FRS 15 requires part of the overheads relating to staff time spent on capital projects being treated as a revenue charge to the service rather than a charge to the capital project, A change in accounting policy was adopted in 2008/09 to comply with this.

**16. Value Added Tax**

VAT is not included in the income and expenditure accounts (revenue and capital) unless it is not recoverable, in which case it is charged to the relevant service. Historically some VAT relating to exempt services has not been recoverable but full recovery was temporarily permitted in 2007/08 and 2008/09.

**17. 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.

**18. Financial Assets**

Financial assets are classified into three types:

- Loans and receivables – assets with a fixed or determinable payment but not quoted in an active market (e.g. trade debtors, fixed term investments)
- Available for sale assets – assets with a quoted market price and no fixed determinable payment (e.g. equity investments)
- Fair value through the Profit and Loss – assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or a derivative.

The Council only has items in the Loans and receivables category.

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.

However, the council has made loans for home improvement which are interest-free (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans in the Income and Expenditure Account is managed by a transfer to the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

**19. 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.

*Long term loan*

Loans with the Public Works Loans Board are carried at their amortized cost but with the fair value disclosed as a note

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

## GLOSSARY OF TERMS

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

**Amortisation** – the gradual write off of initial costs of intangible assets.

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

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

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

**Capital Receipts** – income received from selling fixed assets.

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

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

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

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

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

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

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

**Earmarked Reserves** – money set aside for a specific purpose.

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

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

**FRS** – financial reporting standard

**Government Grants Deferred Account** – the value of grants and other external contributions towards capital expenditure which has not yet been written down to the revenue account as the assets to which it relates is depreciated.

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

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

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

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

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

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

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

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

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

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

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

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

**SSAP** – Statement of Standard Accounting Practice.

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

# Income and Expenditure Account

| 2007/08 Net Expenditure £000 | | Note | 2008/09 Gross Expenditure £000 | 2008/09 Income £000 | 2008/09 Net Expenditure £000 |
|---|---|---|---|---|---|
| | **Net Cost of Services** | | | | |
| | Cultural, Environmental & Planning Services | | | | |
| 5,552 | Leisure | **1** | 6,981 | -1,237 | 5,744 |
| 6,132 | Environmental Services | | 8,037 | -1,325 | 6,712 |
| 3,311 | Refuse Collection | | 3,409 | -152 | 3,257 |
| 2,659 | Planning and Development | **2** | 10,087 | -2,635 | 7,452 |
| | Housing Services | | | | |
| 4,330 | Housing General Fund | | 30,206 | -25,887 | 4,319 |
| 157 | Local Taxation Benefits | | 6,903 | -6,682 | 221 |
| 1,268 | Highways and Transportation | | 3,823 | -1,739 | 2,084 |
| | Central Services | | | | |
| 1,061 | Local Taxation Collection | | 1,499 | -570 | 929 |
| 252 | Other Central Services | | 590 | -226 | 364 |
| 4,748 | Exceptional item | **3** | 12,184 | | 12,184 |
| 3,063 | Corporate and Democratic Core | | 3,664 | -659 | 3,005 |
| 216 | Non-distributed costs | | 273 | -1 | 272 |
| **32,749** | **NET COST OF SERVICES** | | **87,656** | **-41,113** | **46,543** |
| | **Corporate Income and Expenditure** | | | | |
| -734 | Gain (-) on disposal of assets | | | | -363 |
| 3,555 | Parish Precepts | | | | 3,737 |
| -580 | Trading undertakings surplus(-)/deficit | **4** | | | 467 |
| 55 | Interest payable | | | | 222 |
| -2,797 | Interest and investment income | | | | -2,713 |
| 9 | Amounts payable into the Housing Capital Receipts Pool | | | | 6 |
| -57 | Pensions interest cost and expected return on assets | **11** | | | 1,199 |
| **32,200** | **NET OPERATING EXPENDITURE** | | | | **49,098** |
| | **Principal Sources of Finance** | | | | |
| -9,874 | Income from on the Collection Fund | | | | -10,377 |
| -2,045 | General Government Grants | **12** | | | -1,685 |
| -9,976 | Distribution from the Non-domestic rate pool | | | | -10,672 |
| **10,305** | **DEFICIT FOR THE YEAR** | | | | **26,364** |

# Statement of Movement on the General Fund Balance

| 2007/08 £000 | | 2008/09 £000 |
|---|---|---|
| **-19,240** | **General Fund Balance brought forward** | **-20,410** |
| 10,305 | Deficit for the year (Income and Expenditure Account) | 26,364 |
| -11,475 | Net amount required by statute and non-statutory proper practices to be credited to the General Fund | -25,273 |
| **-1,170** | **Increase(-)/Decrease in General Fund Balance for the year** | **1,091** |
| **-20,410** | **General Fund Balance carried forward** | **-19,319** |

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

| 2007/08 £000 | | 2008/09 £000 | 2008/09 £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** | | |
| -9,090 | Depreciation and impairment of fixed assets | -22,151 | |
| 169 | Government grants deferred amortisation | 83 | |
| -2,084 | Write downs of deferred charges to be financed from capital resources | 0 | |
| 0 | Revenue funded from capital under statute | -2,338 | |
| 734 | Net gain on sale of fixed assets | 362 | |
| -2,893 | Net charges made for retirement benefits in accordance with FRS17 | -4,328 | |
| -173 | Amount by which finance costs calculated in accordance with the SORP are different from those required by statute | -8 | |
| **-13,337** | | | **-28,380** |
| | **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** | | |
| -171 | Commutation adjustment | -102 | |
| -9 | Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool | -6 | |
| 2,411 | Employer's contributions payable to the Cambridgeshire County Council Pension fund and retirement benefits payable direct to pensioners | 2,902 | |
| **2,231** | | | **2,794** |
| | **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** | | |
| **-369** | Net transfer to or from earmarked reserves** | | **313** |
| **-11,475** | **Net additional amount required to be credited to the General Fund Balance for the year** | | **-25,273** |

** excluding Collection Fund

# Statement of Total Recognised Gains and Losses

| 2007/08 £000 | | 2008/09 £000 |
|---|---|---|
| 10,305 | Deficit on the Income and Expenditure Account | 26,364 |
| -942 | Surplus arising from the revaluation of assets | -7,246 |
| -5,863 | Actuarial gains (-) and losses on Pension Fund assets and liabilities | 9,634 |
| -31 | Deficit/ surplus (-) on the Collection Fund | 5 |
| **3,469** | **Total recognised gain (-) / loss for the year** | **28,757** |

The movement of £28,757k in 2008/09 represents the reduction in reserves as shown on the balance sheet during the year.

# Balance Sheet as at 31 March 2009

| Restated 2008 | | | 2009 | |
|---|---|---|---|---|
| £000 | | Note | £000 | £000 |
| 2,503 | Intangible assets | 14 | | 2,147 |
| | Tangible fixed assets | | | |
| | Operational assets | | | |
| 23,566 | Land and buildings | | 30,546 | |
| 6,709 | Vehicles and plant | | 7,766 | |
| 8,589 | Infrastructure | | 8,465 | |
| 1,406 | Community asset | | 1,406 | 48,183 |
| | Non-operational assets | | | |
| 19,528 | Investment properties | | 15,345 | |
| 8,420 | Assets under construction | | 3,125 | |
| 615 | Surplus assets, held for disposal | | 1,548 | 20,018 |
| **71,336** | ***Total fixed assets*** | | | **70,348** |
| | | | | |
| 10,100 | Investments | 17 | 15,238 | |
| 1,184 | Long-term debtors | 18 | 1,283 | 16,521 |
| **82,620** | ***Total long-term assets*** | | | **86,869** |
| | Current assets | | | |
| 96 | Cash | | 687 | |
| 134 | Stock | 19 | 107 | |
| 7,025 | Debtors | 20 | 6,628 | |
| 30,250 | Short-term investments | | 27,925 | |
| 455 | Payments in advance | | 401 | |
| 37,960 | | | 35,748 | |
| | Current liabilities | | | |
| -4,634 | Creditors | 21 | -8.264 | |
| -1,300 | Receipts in advance | | -1,834 | |
| -2,050 | Cash overdrawn | | -1,879 | |
| 0 | Short term borrowing | | -6,000 | |
| -7,984 | | | -17,977 | |
| **29,976** | ***Net current assets*** | | | **17,771** |
| | | | | |
| | **Long-term liabilities** | | | |
| 0 | Long term Borrowing | 22 | -10,110 | |
| -160 | Deferred credits (including capital receipts) | | -140 | |
| -1,399 | Deferred grants and contributions | | -1,050 | |
| -18,656 | Pension scheme liability | 29 | -29,716 | |
| **-20,215** | | | | **-41,016** |
| **92,381** | ***Total assets less liabilities*** | | | **63,624** |
| | | | | |
| | **Financed by:** | | | |
| 70,163 | Capital adjustment account | 24 | 61,963 | |
| 942 | Revaluation reserve | 25 | 8,188 | |
| 16,023 | Capital reserve | 27 | 72 | |
| -173 | Financial instruments adjustment account | 16 | -182 | |
| 3,672 | Earmarked reserves | 28 | 3,980 | |
| 20,410 | General Fund balance | 28 | 19,319 | |
| -18,656 | Pensions reserve | 29 | -29,716 | |
| **92,381** | | | | **63,624** |

Terry Parker BA (Hons) FCA, Director of Commerce and Technology 23 June 2009

# Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
2007/08 has been restated as deferred charges is now *revenue expenditure funded from capital under statute* and moved to revenue activities

| | 2007/08 restated | | 2008/09 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Revenue Activities** | | | | |
| *Cash outflows* | | | | |
| Employment costs | 23,018 | | 24,052 | |
| Other operating cash payments | 12,485 | | 8,068 | |
| Precepts paid out | 68,723 | | 72,342 | |
| Contribution to the NNDR pool | 47,157 | | 50,617 | |
| Housing benefits | 21,903 | | 24,750 | |
| *Cash inflows* | | | | |
| Council tax receipts | -69,388 | | -72,265 | |
| Non-domestic rate receipts | -47,444 | | -51,416 | |
| Non-domestic rate receipts from national pool | -9,641 | | -11,032 | |
| Revenue support grant | -1,674 | | -1,486 | |
| Local Authority Business Growth Incentive Grant | -771 | | -150 | |
| DWP grants for benefits | -27,487 | | -30,669 | |
| Other Government grants | -2,000 | | -982 | |
| Cash received for goods and services | -2,977 | | -7,499 | |
| Other operating cash receipts | -3,550 | **8,354** | -3,369 | **961** |
| | | | | |
| **Returns on Investments and Servicing of Finance** | | | | |
| *Cash outflows* | | | | |
| Interest paid | 55 | | 222 | |
| *Cash inflows* | | | | |
| Interest received | -2,797 | **-2,742** | -2,713 | **-2,491** |
| | | | | |
| **Capital Activities** | | | | |
| *Cash outflows* | | | | |
| Purchase of fixed assets | 12,895 | | 15,257 | |
| Long-term investments | 0 | | 5,138 | |
| Other capital cash payments | 0 | **12,895** | 517 | **20,912** |
| *Cash inflows* | | | | |
| Sale of ex-Council houses | -688 | | -240 | |
| Sale of other assets | -481 | | -242 | |
| Long-term investments | -37,007 | | 0 | |
| Capital grants received | -2,630 | | -1,217 | |
| Other capital cash receipts | -1,335 | **-42,141** | -119 | **-1,818** |
| | | | | |
| **Net cash inflow before financing** | | **-23,634** | | **17,564** |
| | | | | |
| **Management of liquid resources** | | | | |
| Net increase/decrease in short-term deposits | | **24,250** | | **-2,324** |
| | | | | |
| **Financing** | | | | |
| *Cash outflows – repayment of amounts borrowed* | | **0** | | **-6,000** |
| *Cash inflows –new loans raised* | | **0** | | **-10,000** |
| Change in balance at bank (- is reduced overdraft) | | **616** | | **-760** |

## 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

| | 2007/08 | | 2008/09 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| St Ivo | 754 | | 673 | |
| Huntingdon | 663 | | 749 | |
| St Neots | 638 | | 694 | |
| Ramsey | 368 | | 424 | |
| Sawtry | 442 | **2,865** | 455 | **2,995** |
| Other leisure services | 471 | | 343 | |
| Parks | 2,164 | | 2,179 | |
| Other | 52 | **2,687** | 227 | **2,749** |
| **Net cost of leisure services** | | **5,552** | | **5,744** |

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. From 1 April 2009 the Management Committees will cease to exist and from then all the expenditure and income will be accounted for by Huntingdonshire District Council and any assets, basically stock, will be transferred to this Authority. Based on the 2008/09 figures gross expenditure of £8.3m and income of £5.3m will replace the net deficit funding of £3m. Reserves of £139k will also be transferred.

### 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.

| | 2007/08 | 2008/09 |
|---|---|---|
| | **£000** | **£000** |
| Income | -508 | -422 |
| Expenditure | 410 | 450 |
| Surplus (-)/deficit | **-98** | **28** |
| Cumulative surplus (-)/deficit (3 years) | -141 | -101 |

## 3. Exceptional item

There has been a material impairment of the Authority's buildings because the old administrative offices have been demolished and the valuation of the replacement building is less than its capital cost. The valuation was carried out externally and independently

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.

| | **2007/08** | | **2008/09** | |
|---|---|---|---|---|
| | **Turnover** | **Surplus** | **Turnover** | **Surplus/ Deficit (-)** |
| | **£000** | **£000** | **£000** | **£000** |
| **Markets** | | | | |
| Huntingdon | 55 | 13 | 53 | 15 |
| Ramsey | 5 | 1 | 5 | 3 |
| St Ives | 136 | 76 | 120 | 77 |
| Management | 1 | -62 | 1 | -58 |
| | **197** | **28** | **179** | **33** |
| **Industrial properties** | **625** | **390** | **493** | **-427** |
| **Commercial properties** | **225** | **162** | **229** | **-73** |
| **Total** | **1047** | **580** | **901** | **-467** |

The industrial units and commercial properties made a loss because the expenditure includes impairment on its assets.

## 5. 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 in 2008/09 because the Council had not funded any capital expenditure from borrowing as at 31 March 2008.

## 6. Expenditure on Publicity

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

| | 2007/08 £000 | 2008/09 £000 |
|---|---|---|
| Recruitment advertising | 143 | 99 |
| Other advertising | 200 | 240 |
| | **343** | **339** |

**7. Members' Allowances**

The total paid in 2008/09 was £371k (2007/08 £345k).

**8. 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.

| | 2007/08 | 2008/09 |
|---|---|---|
| £50,000 - £60,000 | 4 | 14 |
| £60,000 - £70,000 | 10 | 3 |
| £70,000 - £80,000 | 2 | 8 |
| £80,000 - £90,000 | 1 | 2 |
| £90,000 - £100,000 | 2 | 1 |
| £130,000 - £140,000 | 0 | 0 |
| £140,000 - £150,000 | 1 | 0 |
| £150,000 - £160,000 | 0 | 1 |

**9. Audit and Inspection Fees**

| | 2007/08 £000 | 2008/09 £000 |
|---|---|---|
| External audit | 77 | 78 |
| Grant claim certification | 20 | 26 |
| Statutory inspections | 6 | 6 |
| National Fraud Initiative | 0 | 3 |
| | **103** | **113** |

**10. 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. Creditors and debtors with Central Government and Local Authorities are shown in notes 20 and 21, whilst Government grants are analysed in note 35 to the cash flow.

**11. Pension Costs**

Details of pension costs are included in the statement of pension costs, assets and liabilities on page 47.

**12. Government Grants Income**

Grants not attributable to specific services

| | 2007/08 £000 | 2008/09 £000 |
|---|---|---|
| Revenue Support Grant | 1,674 | 1,486 |
| Area Based Grant | 0 | 49 |
| Local Authority Business Growth Incentive Grant | 371 | 150 |
| | **2,045** | **1,685** |

## Notes to the Balance Sheet

**13. 2007/08 Restated Balance Sheet**

The 2007/08 Balance Sheet has been restated for the impact of the latest FRS17 guidance on the valuation of the pension deficit. The Council had a future pension deficit of £18.3m at the start of the year which, when adjusted increases to £18.7m.

**14. Assets**

All assets held at current value were revalued at 1 April 200 and applied to the 2008/09 accounts; revaluations are made every five years. The valuations were carried out externally and independently by MG Storey FRICS and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews on the basis of market value or depreciated replacement cost as appropriate. Accounting policy 6 explains the measurement of the valuation and the depreciation policy adopted.

As at 31 March 2009 the Council was contractually committed to capital works valued at approximately £5.1m of which £4.6m 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 (note 3) | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation** | | | | | | | | | |
| **At 1 April 2008** | **24,416** | **8,121** | **9,011** | **1,406** | **19,528** | **8,420** | **615** | **3,763** | **75,280** |
| Additions | 7,633 | 2,549 | 363 | | 1,203 | 3,030 | 25 | 455 | **15,258** |
| Disposals | | -78 | | | | | | | **-78** |
| Reclassifications | 7,464 | | -49 | | -322 | -8,325 | 1,009 | 223 | **0** |
| Revaluations | 6,121 | | | | 1,028 | | 96 | | **7,245** |
| Impairment losses | -13,343 | | | | -6,092 | | -197 | | **-19,632** |
| **At 31 March 2009** | **32,291** | **10,592** | **9,325** | **1,406** | **15,345** | **3,125** | **1,548** | **4,441** | **78,073** |
| **Depreciation and impairments At 1 April 2008** | **852** | **1,412** | **422** | | | | | **1,260** | **3,946** |
| Charge for 2008/09 | 893 | 1,443 | 438 | | | | | 1,034 | **3,808** |
| Disposals | | -29 | | | | | | | **-29** |
| Reclassifications | | | | | | | | | |
| Revaluations | | | | | | | | | |
| Impairment losses | | | | | | | | | |
| Adjustment | | | | | | | | | |
| **At 31 March 2009** | **1,745** | **2,826** | **860** | | | | | **2,294** | **7,725** |

| | 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 |
| **Balance Sheet amount at 1 April 2008** | **23,566** | **6,709** | **8,589** | **1,406** | **19,528** | **8,420** | **615** | **2,503** | **71,336** |
| **Balance Sheet amount at 31 March 2009** | **30,546** | **7,766** | **8,465** | **1,406** | **15,345** | **3,125** | **1,548** | **2,147** | **70,348** |

Notes

1. The Council operates five leisure centres, managed jointly with other bodies, provided by the Council on land associated with schools. These are included in the accounts at market value

2. Investment properties are generally held for economic development purposes, but are required to be shown as investment properties.

3. Intangible assets represent software licenses

| Major assets held at 31 March 2009 | Number |
|---|---|
| Offices and depot | 4 |
| Leisure centres | 5 |
| Markets | 2 |
| Bus stations | 2 |
| Public conveniences | 7 |
| Car parks | 24 |
| Mobile home park | 1 |
| Country parks | 2 |
| Recreation grounds | 6 |
| Pavilions | 3 |
| Eco homes | 2 |
| Vehicles and plant | 105 |
| Investment properties | 132 |
| Surplus assets held for disposal | 20 |

## 15. Financing of Capital Expenditure

| | 2007/08 £000 | 2008/09 £000 |
|---|---|---|
| Capital receipts | 13,888 | 16,433 |
| External contributions and capital grants | 2,631 | 3,081 |
| Borrowing | 0 | 447 |
| Revenue | 0 | 1 |
| **Total financed** | **16,519** | **19,962** |

## 16. Leases

**Finance Leases**

Historically the Council occasionally used finance leases to meet the cost of industrial units, vehicles, plant and equipment. There are only two leases remaining and they are in a secondary stage. The following values of assets are held under finance leases by the authority, accounted for as a part of tangible fixed assets:

| | Land & Buildings £000 | Vehicles, & Equipment £000 |
|---|---|---|
| Gross value of assets held under finance leases | 267 | 0 |
| Net Value at 1 April 2008 | 267 | 0 |
| Additions | | |
| Revaluations | | |
| Depreciation charged in year | | |
| Disposals | | |
| Value at 31 March 2009 | 267 | 0 |
| | | |
| Accumulated depreciation as at 31 March 2009 | 0 | 0 |

There were no finance charges allocated for the period 2008/09.

Outstanding obligations (excluding finance costs) at 31 March 2009, accounted for as part of long-term liabilities, are as follows:

| | Land & Buildings £000 | Vehicles, Plant & Equipment £000 |
|---|---|---|
| Amounts payable with in one year | | |
| Amounts payable between in 2 -5 years | 1 | 0 |
| Amounts payable in over 5 years | | |
| Additions | | |
| Revaluations | | |
| Depreciation charged in year | | |
| Disposals | | |
| Value at 31 March 2009 | | |
| Cumulated depreciation as at 31 March 2009 | 0 | 0 |

There were no new obligations taken on before 31.3.09 but which did not commence until after year end

**Operating leases**
Operating lease costs due in future years

| | 2008 £000 | 2009 £000 |
|---|---|---|
| Assets held under operating leases | | |
| Charge to Income and Expenditure | 88 | 97 |
| Amounts due: | | |
| Total future commitments as at 31st March | 122 | 148 |

## 17. Long-term Investments

| | 2008 £000 | 2009 £000 |
|---|---|---|
| Long-term investments held at 31 March | | |
| CDCM Investment Fund | 10,000 | 5,113 |
| In-house managed funds | 0 | 10,125 |
| Other (net of provision for losses) | 100 | 0 |
| | **10,100** | **15,238** |

Most long term surplus cash held in the Council's reserves was invested through the services of the external fund manager CDCM, however the Authority temporarily invested £10m for 4 to 5 years when it borrowed £10m from the Public

Works Loans Board (PWLB) in anticipation of its need to borrow to finance capital expenditure.

As funds managed by CDCM mature they are being brought into the in-house portfolio; as at 31 March 2009 the short-term funds with CDCM totalled £8m. Monies required to meet the Council's cash flow requirements over the next two years are managed in-house, and at the year-end amounted to £14.5m.

The funds managed by CDCM and in-house are all invested in cash instruments. 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 2009 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 and there is little likelihood of the recovery of the monies

## 18. Long-term Debtors

| | **Balance 1.4.08** | **Repayments/ new advances** | **Revaluation/ Gain/-loss** | **Balance 31.3.09** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Loans – St Neots Town Council | 116 | -10 | | 106 |
| Housing advances | 616 | -20 | | 596 |
| House improvement loans | 378 | 143 | -9 | 512 |
| House mortgages | 35 | -10 | | 25 |
| Employee loans | 39 | 5 | | 44 |
| | **1,184** | **108** | **-9** | **1,283** |

## 19. Stock

| | **31.3.08** | **31.3.09** |
|---|---|---|
| | **£000** | **£000** |
| Diesel | 43 | 10 |
| Printing | 26 | 36 |
| Refuse sacks | 22 | 20 |
| Other | 43 | 41 |
| | **134** | **107** |

## 20. Debtors

| | 31.3.08 £000 | 31.3.09 £000 |
|---|---|---|
| Amounts falling due in one year: | | |
| Government Departments | 1,049 | 2,055 |
| NNDR National Pool (creditor 2008/09) | 360 | 0 |
| Public Authorities | 381 | 1,728 |
| Housing tenants | 215 | 386 |
| Local taxation | 1,922 | 2,231 |
| NNDR payers | 299 | -274 |
| Investment interest | 1,050 | 0 |
| General debtors | 3,688 | 2,896 |
| **Total debtors** | **8,964** | **9,022** |
| ***Less*** provision for bad debts | | |
| Local Taxation | -611 | -894 |
| General Debtors | -836 | -902 |
| Other | -492 | -598 |
| | **-1,939** | **-2,394** |
| **Net Position** | **7,025** | **6,628** |

## 21. Creditors

| | 31.3.08 £000 | 31.3.09 £000 |
|---|---|---|
| Government Departments | 641 | 1,717 |
| Local Authorities | 468 | 516 |
| Leisure Centre Management Committees | 15 | 158 |
| Other | 3,510 | 5,873 |
| | **4,634** | **8,264** |

## 22. Long term Borrowing

The Council borrowed £10m from the Public Works Loans Board (PWLB) in anticipation of the borrowing needed in future years. In December 2008 the long-term PWLB rates were considered to be very low and so £5m was borrowed for 50 years at 3.90% and £5m for 49 years at 3.91%. The Balance Sheet figure includes accrued interest of £110k.

## 23. Reserves

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

Available to fund expenditure

- The Capital Reserve represents the balance of capital receipts and capital contributions that are available to finance capital expenditure
- Earmarked reserves are available to finance expenditure for specified purposes
- General Fund balance is available to finance any revenue or capital expenditure

Not available to fund expenditure

- The Revaluation Reserve and the Capital Adjustment Account relate to the requirements of the capital accounting rules.
- 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.
- Pension Fund Liability represents the balance on the pension fund, which is an accounting entry to meet the requirements of FRS17.

## 24. Capital Adjustment Account

| | 2007/08 | | 2008/09 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Balance as at 1st April** | | **68,481** | | **70,163** |
| Financing of capital expenditure | | | | |
| Capital receipts | 13,888 | | 16,433 | |
| External grants & contributions | 2,630 | 16,518 | 3,082 | 19,515 |
| Provision for depreciation | -3,921 | | -3,736 | |
| Deferred charges and debtors | -5,300 | | -5,420 | |
| Commutation adjustment | -171 | | -102 | |
| Impairment | -5,169 | | -18,416 | |
| Disposal | -275 | -14836 | -42 | -27,716 |
| **Balance as at 31st March** | | **70,163** | | **61,962** |

## 25. Revaluation Reserve

| | 2007/08 | 2008/09 |
|---|---|---|
| | **£000** | **£000** |
| **Balance as at 1st April** | **0** | **942** |
| Surplus on revaluation | 942 | 7,246 |
| **Balance as at 31st March** | **942** | **8,188** |

All land and buildings have been revalued as a result of the 5 yearly full valuation; The revaluation for leisure centres is £4.3m; £1.1m for investment properties (industrial and commercial units) and £0.8m for car parks

## 26. Financial Instruments Adjustment Account

| | 2007/08 | 2008/09 |
|---|---|---|
| | £000 | £000 |
| **Balance as at 1st April** | **0** | **-173** |
| Adjustment for fair value of private sector housing improvement loans | -173 | -9 |
| **Balance as at 31st March** | **-173** | **-182** |

## 27. Capital Reserve (Usable Capital Receipts and capital contributions)

| | 2007/08 | | 2008/09 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Balance as at 1st April** | | **28,157** | | **16,023** |
| Receipts | | | | |
| Sale of Council houses | 688 | | 240 | |
| Sale of land and other buildings | 392 | | 165 | |
| Repayment of loans | 43 | | 34 | |
| Improvement grants | 46 | | 43 | |
| Non-specified investments | 585 | 1754 | 0 | 482 |
| Receipts applied during the year | | -13,888 | | -16,433 |
| **Balance as at 31st March** | | **16,023** | | **72** |

The balance represents a capital contribution that will be utilised during 2009/10

## 28. Revenue Reserves

| | Balance 1.4.08 £000 | Movement £000 | Balance 31.3.09 £000 |
|---|---|---|---|
| **Earmarked reserves**: | | | |
| S106 agreements | 878 | 276 | 1,154 |
| Commuted S106 payments reserve | 1,084 | 115 | 1,199 |
| Repairs and renewals funds | 1,111 | -46 | 1,065 |
| Delayed projects reserve | 335 | -61 | 274 |
| Other reserves | 243 | 28 | 271 |
| | **3,651** | **312** | **3,963** |
| Collection Fund | 21 | -4 | 17 |
| | **3,672** | **308** | **3,980** |
| **General fund balance** | **20,410** | **-1,091** | **19,319** |

**29. Pensions Scheme Liability and Pensions Reserve**

| | Restated Balance 1.4.08 £000 | Movement £000 | Balance 31.3.09 £000 |
|---|---|---|---|
| Pensions Reserve | -18,656 | -11,060 | -29,716 |

Details included in Pensions section page 47

**30. Contingent Assets and Liabilities**

**Contingent Assets**

1. A claim for recovery of tax has been made to the HMRC as the result of a recent Court of Appeal judgement which allowed claims for VAT refunds to be made back to 1973, when VAT was introduced. The judgement was linked to 6 areas of income where the treatment of VAT was corrected by HMRC from 1996 but for which they argued there was no entitlement to reclaims pre-1996.

   The net claim is for around £1m plus interest. There is a separate legal challenge relating to whether interest would be simple or compound. There is a strong likelihood that the HMRC will pay at least part of the claim although the timing is unclear.

2. Cambridgeshire County Council owes £309k as a capital contribution towards expenditure on leisure centres in 2008/09, however they are deferring the payment until 2010/11 which creates a risk that the payment will not be made.

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

.

**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 though an insurance policy is in place to cover the majority of any liability.

2. 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 2009 the maximum clawback is £601k.

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

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

## 31. 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 2008 £000 | | 31 March 2009 £000 |
|---|---|---|
| | **Financial assets by class** | |
| | *Loans and receivables* | |
| 7,025 | Debtors due within one year | 6,628 |
| 1,184 | Debtors due after one year | 1,283 |
| 10,100 | Long-term investments | 15,238 |
| 30,250 | Short-term investments | 27,927 |
| 96 | Cash and equivalents | 687 |
| *48,655* | *Total loans and equivalents* | *51,763* |
| **48,655** | **Total financial assets** | **51,763** |
| | **Financial liabilities by class** | |
| | *Other liabilities at amortised cost* | |
| 0 | Long-term liability at fixed rate of interest | -10,110 |
| 4,634 | Creditors payable within one year | -8,264 |
| 2,050 | Bank overdrafts | -1,879 |
| *6,684* | *Total other liabilities at amortised cost* | *-20,253* |
| **6,684** | **Total financial liabilities** | **-20,253** |

***Fair value of assets and liabilities carried at amortised cost***

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

- An estimated interest rate based on 10 year PWLB rates has been used to calculate the fair value of private sector housing improvements loans
- No early repayment or impairment is recognized
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

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 2008 | | | 31 March 2009 | |
|---|---|---|---|---|
| **Carrying amount** | **Fair value** | | **Carrying amount** | **Fair value** |
| **£000s** | **£000s** | | **£000s** | **£000s** |
| | | **Financial assets** | | |
| | | *Loans and receivables* | | |
| 8,209 | 7,826 | Total debtors | 7,911 | 7,701 |
| 40,350 | 39,481 | Total investments | 43,165 | 41,703 |
| 96 | 96 | Cash and equivalents | 687 | 687 |
| **48,655** | **47,403** | **Total** | **51,763** | **50,091** |
| | | **Financial liabilities by class** | | |
| | | *Other liabilities at amortised cost* | | |
| 0 | 0 | Long term loan | -10,110 | -9,757 |
| 4,634 | 4,634 | Total creditors | -8,264 | -8,264 |
| 2,050 | 2,050 | Bank overdrafts | -1,879 | -1,879 |
| **6,684** | **6,684** | **Total** | **-20,253** | **-19,900** |

***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.

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date. There are no investments that as at the 31 March 2009 were with institutions that had failed

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

***Liquidity risk***

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

The PWLB loan has the following maturity profile:

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

## Notes to the Cash Flow Statement

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

2007/08 has been restated as deferred charges is now *revenue expenditure funded from capital under statute* and moved to revenue activities

| | 2007/08 | restated | 2008/09 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Net revenue activities cash flow | | 8,354 | | 961 |
| Net interest received | -2,742 | | -2,491 | |
| Depreciation | 3,920 | | 3,736 | |
| Adjustment for stock, debtors and creditors | -3,630 | | 4,739 | |
| Impairment | 4,748 | | 18,406 | |
| Sale of council houses | -688 | | -242 | |
| Capital grants | -102 | | -54 | |
| Pensions appropriation | 482 | | 1,426 | |
| Surplus on sale of fixed assets | -46 | | -123 | |
| Housing capital receipts pool | 9 | 1,951 | 6 | 25,403 |
| **Income and Expenditure Account deficit** | | **10,305** | | **26,364** |

### 33. Reconciliation of net cash flow to the movement in net funds

| | 1.4.08 £000 | Movement £000 | 31.3.08 £000 |
|---|---|---|---|
| Cash in hand | 96 | 590 | 686 |
| Cash overdrawn | -2,050 | 170 | -1,880 |
| Short-term borrowing | 0 | -6,000 | -6,000 |
| Short-term investments | 30,250 | -2,324 | 27,926 |
| Long-term borrowing | 0 | -10,000 | -10,000 |
| | **28,296** | **-17,564** | **10,732** |

### 34. Analysis of change in management of liquid resources and financing

| | 1.4.08 £000 | Movement £000 | 31.3.08 £000 |
|---|---|---|---|
| Short-term borrowing | 0 | -6,000 | -6,000 |
| Short-term investments | 30,250 | -2,324 | 27,296 |
| | **30,250** | **-8,324** | **21,296** |

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.

## 35. Analysis of Government Grants

| | 2007/08 | | 2008/09 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Revenue support grant | | 1,674 | | 1,486 |
| Benefits grants: | | | | |
| Council tax benefits | 5,831 | | 6,382 | |
| Rent allowances | 21,656 | 27,487 | 24,287 | 30,669 |
| Other: | | | | |
| Local Authority Business Growth Incentive Grant | 771 | | | 150 |
| Other capital grants | 1,429 | | | 1,182 |
| Benefits administration | 979 | | | 891 |
| Other | 1,124 | 4,303 | | 1,097 |
| | | 33,464 | | 35475 |
| Debtor | | -66 | | 0 |
| | | **33,398** | | **35475** |

# Collection Fund

| 2007/08 | | | | 2008/09 | |
|---|---|---|---|---|---|
| £000 | £000 | | Note | £000 | £000 |
| | **-73** | **Balance brought forward 1st April** | | | **163** |
| 69,196 | | Council tax income | 2 | 72,951 | |
| -7 | | Transfers from General Fund | | 28 | |
| 5,776 | | Council tax benefits | | 6,327 | |
| 306 | **75,271** | Change provision for non-collection | 4 | -349 | **78,957** |
| | | ***Less* Precepts on the Fund** | | | |
| -53,575 | | Cambridgeshire County Council | | -56,427 | |
| -8,584 | | Cambridgeshire Police Authority | | -9,040 | |
| -3,009 | | Cambridgeshire Fire Authority | | -3,138 | |
| | | Huntingdonshire District Council: | | | |
| -6,312 | | General expenses | | -6,668 | |
| -3,555 | **-75,035** | Parish Precepts | | -3,737 | **-79,010** |
| | **163** | **Deficit-/surplus on council tax** | | | **110** |
| 47,382 | | **NNDR collectable** | | 50,843 | |
| -225 | | *less* Government contribution to cost of collection | | -226 | |
| -47,157 | **0** | *less* payment due to National Pool | 5 | -50,617 | **0** |
| | **163** | **Deficit- /surplus carried forward at 31st March** | | | **110** |

## 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 (£16k 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 2009/10

(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 are treated as a creditor or debtor

### 3. Precepts and demands

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

| | 2007/08 | 2008/09 |
|---|---|---|
| | **£000** | **£000** |
| Cambridgeshire County Council | 53,557 | 56,578 |
| Cambridgeshire Police Authority | 8,581 | 9,065 |
| Cambridgeshire Fire Authority | 3,009 | 3,146 |
| St Neots Town Council | 696 | 760 |
| Huntingdon Town Council | 570 | 597 |
| St Ives Town Council | 469 | 480 |

### 4. Council Tax

| | 2007/08 | | 2008/09 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Base debit | 83,877 | | 88,844 | |
| *Add* MOD contribution | 527 | 84,404 | 512 | 89,356 |
| *Deduct* Property exemptions | -3,786 | | -4,113 | |
| Disability exemptions | -87 | | -93 | |
| Discounts | -5,559 | | -5,872 | |
| Write offs | -131 | | -49 | |
| Provision for non-collection | 437 | -9,126 | -300 | -10,427 |
| | | **75,278** | | **78,929** |

**Taxbase at 31 March 2009**

| Tax band | Properties | Exemptions & discounts | Band D multiplier | Band D equivalent |
|---|---|---|---|---|
| A | 10,950 | 2,076 | 0.67 | 5,913 |
| B | 18,276 | 2,444 | 0.78 | 12,314 |
| C | 16,832 | 1,751 | 0.89 | 13,406 |
| D | 11,001 | 991 | 1.00 | 10,010 |
| E | 8,208 | 722 | 1.22 | 9,150 |
| F | 3,321 | 275 | 1.44 | 4,399 |
| G | 1,618 | 132 | 1.67 | 2,477 |
| H | 144 | 23 | 2.00 | 243 |
| **Total** | **70,350** | | | **57,912** |

| | 2007/08 | 2008/09 |
|---|---|---|
| Council tax charge per band D property | £1,306 | 1,370 |
| Actual taxbase used (Band D equivalent) | 57,402 | 57,846 |
| Estimated taxbase | 57,434 | 57,785 |

## 5. National Non-domestic Rates (NNDR)

| | 2007/08 | | 2008/09 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| NNDR based on uniform business rate | 54,948 | | 56,943 | |
| Adjustment to previous years | -1,098 | | -1,676 | |
| Less Mandatory relief | -6,292 | **47,558** | -3,923 | **51,344** |
| Less Discretionary relief | -92 | | -87 | |
| Add Charity relief from General Fund | 23 | -69 | 22 | -65 |
| **Net yield** | | **47,489** | | **51,279** |
| Less Collection costs & interest on refunds | -273 | | -322 | |
| Less irrecoverables & provision for bad debts | -59 | -332 | -340 | -662 |
| **Contribution to National Pool** | | **47,157** | | **50,617** |

The uniform business rate set by the Government for 2008/09 was 45.8p(2007/08 44.4p)

Total ratable value at 31 March 2008 £125.3m
Total ratable value at 31 March 2009 £124.5m

## 6. Irrecoverables and Provisions for bad debts

### Council Tax

| | 2007/08 | 2008/09 |
|---|---|---|
| Change in Bad Debt provision | -437 | 300 |
| Irrecoverables | 131 | 49 |
| **Total** | **-306** | **349** |

### NNDR

| | 2007/08 | 2008/09 |
|---|---|---|
| Change in Bad Debt provision | -59 | 303 |
| Irrecoverables | 118 | 37 |
| **Total** | **59** | **340** |

# 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 the Pension SORP 'The Financial Reports of Pension Schemes – A Statement of Recommended Practice (2007), which takes account of the latest relevant Financial Reporting Standards (FRS 26 & FRS 27), and the amendment to FRS17.

## 2 The Pension Scheme

Employees of Huntingdonshire District Council may participate in the Cambridgeshire County Council Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.
The cost of retirement benefits recognised in the Net Cost of Services is the full value of benefits earned by employees, rather than costs of benefits paid out as pensions each year. The authority and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets.

## 3. Change of accounting policy

For 2008/09, there is a change of accounting policy following adoption of the revised FRS 17. Derivatives and investments, which must be valued at fair value, are now valued, where there is an active market, at bid price rather than mid market value.

The amendment to FRS17 has also changed the disclosure requirements.

## 3 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 revised contribution rates are not adequate to cover 100% of the liabilities and these notes outline the latest position according to the fund actuary.

## 4. Transactions relating to Retirement Benefits

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

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

**5. Income and Expenditure Account**

| | 2007/08 £000 | 2008/09 £000 |
|---|---|---|
| **Net Cost of Services:** | | |
| Current Service Cost | 2,950 | 2,226 |
| Past Service Costs | _ | 894 |
| Losses on Settlements and Curtailments | _ | 9 |
| **Net Operating Expenditure:** | | |
| Interest Cost | 5,395 | 6,185 |
| Expected Return on Scheme Assets | -5,452 | -4,986 |
| **Net Charge to the Income and Expenditure Account** | **2,893** | **4,328** |
| Actual Return on Plan Assets | -3,646 | -13,510 |
| **Statement of Movement in the General Fund Balance:** | | |
| Reversal of net charges made for retirement benefits in accordance with FRS 17 | -2,893 | -4,328 |
| **Actual amount charged against the General Fund Balance for Pensions in the Year:** | 2,411 | 2,902 |
| Employer's contributions to the scheme | | |

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £9.634m (£5.889 actuarial gains 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. (see table below)The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses being £14.519m.

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

| | 31 March 2005 | 31 March 2006 | 31 March 2007 | 31 March 2008 As restated | 31 March 2009 |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Actuarial Gains/ -Losses | -6,266 | -1,553 | 7,045 | 5,889 | -9,634 |
| Cumulative Actuarial Gains/ -Losses | -16,266 | -17,819 | -10,774 | -4,885 | -14,519 |

## 7. Assets and Liabilities in relation to pension fund

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

| | 31 March 2008 £000 | 31 March 2009 £000 |
|---|---|---|
| **Opening liability** | **99,622** | **89,097** |
| Current service cost | 2,950 | 2,226 |
| Interest Cost | 5,395 | 6,185 |
| Contributions by members of | 931 | 1,093 |
| scheme | -16,515 | -8,799 |
| Actuarial losses/-gains | -3,107 | 2,930 |
| Estimated benefits paid | -179 | -182 |
| Estimated unfunded benefits paid | - | 894 |
| Past service costs | - | 9 |
| Losses/-gains on curtailments | | |
| **Closing liability** | **89,097** | **87,593** |

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

| | 31 March 2008 £000 | 31 March 2009 £000 |
|---|---|---|
| **Opening fair value of assets** | **75,559** | **70,441** |
| Expected return on assets | 5,452 | 4,986 |
| Actuarial losses/-gains | -10,626 | -18,433 |
| Contributions by the employer | 2,232 | 2,720 |
| Contributions by members of scheme | 931 | 1,093 |
| Contributions re unfunded benefits | 179 | 182 |
| Benefits paid | -3,107 | -2,930 |
| Unfunded Benefits paid | -179 | -182 |
| Settlements | - | - |
| **Closing fair value of assets** | **70,441** | **57,877** |

Asset values are at bid value as required by FRS17. (Assets as at 31 March 2008 have been restated at bid price, resulting in an actuarial loss).

## 8. Scheme History

| | 31 March 2005 | 31 March 2006 | 31 March 2007 | 31 March 2008 As restated | 31 March 2009 |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Present value of liabilities | -82,744 | -99,686 | -99,622 | -89,097 | -87,593 |
| Fair value of assets | 56,291 | 69,964 | 75,559 | 70,441 | 57,877 |
| **Surplus/-Deficit** | **-26,453** | **-29,722** | **-24,063** | **-18,656** | **-29,716** |
| Experience gains/-losses on liabilities | -5,192 | -118 | 281 | 816 | 229 |
| Above, as percentage of present value of liabilities | 6.27% | 0.12% | -0.28% | -0.92% | -0.26% |
| Experience gains/-losses on assets | 2,724 | 9,996 | 722 | -10,626 | -18,433 |
| Above, as percentage of fair value of assets | 4.84% | 14.29% | 0.96% | -15.08% | -31.85% |

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

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

The Council expects to contribute £3.121m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2010.

## 9. Basis for estimating Liabilities and Assets

The estimates, for the purposes of FRS17, have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Fund.

Liabilities are based on the latest formal valuation as at 31 March 2007, and rolled forward, assessed on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund, dependent on assumptions about mortality rates, salary levels etc. discounted to their present value as at 31 March 2008.

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

| **County Fund – Main Assumptions** | **Valuations as at** | |
|---|---|---|
| | **31 March 2008** | **31 March 2009** |
| - rate of inflation | 3.6% | 3.1% |
| - rate of increase in salaries | 5.1% | 4.6% |
| - rate of increase in pensions | 3.6% | 3.1% |
| - rate of discounting scheme liabilities | 6.9% | 6.9% |
| | | |
| Mortality | **Males** | **Females** |
| - current pensioners | 19.6 years | 22.5 years |
| - future pensioners | 20.7 years | 23.6 years |

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

The actuary has included an allowance for 25% of future retirements to elect to take additional tax free lump sum cash up to HMRC limits.

Pension fund assets are valued at fair value, principally market value for investments, but using the bid price rather than mid-market value, in accordance with latest financial instruments. The table below shows the mix of assets held, and the expected rate of return for each category of asset. Actuarial advice on expected return on assets is based on long-term future expected investment return for each asset class as at 31 March 2008 (or date of joining the fund, if later).

| | **Expected Rate of Return per annum** | | **Proportion of Total assets held by the Fund** | |
|---|---|---|---|---|
| | **31 March 2008** | **31 March 2009** | **31 March 2008** | **31 March 2009** |
| Equity Investments | 7.7% | 7.0% | 70% | 64% |
| Bonds | 5.7% | 5.6% | 13% | 17% |
| Property | 5.7% | 4.9% | 12% | 10% |
| Cash | 4.8% | 4.0% | 5% | 9% |
| **Total Fund Assets** | **7.0%** | **6.3%** | **100%** | **100%** |

## 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.