Huntingdonshire
DISTRICT COUNCIL

Statement of Accounts
For the year ended 31 March 2010

Chairman of the Council 2009/10	Councillor J Davies
Leader of the Council 2009/10	Councillor I C Bates
Executive Councillor for Finance 2009/10	Councillor T V Rogers
Chief Executive	Mr D Monks
Director of Commerce and Technology	Mr T Parker
Auditors	Grant Thornton UK LLP

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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 change this year is significant in relation to the treatment of the Collection Fund and where relevant the figures have been restated for last year to allow comparability.

This booklet presents the accounts of Huntingdonshire District Council for the period from 1 April 2009 to 31 March 2010. 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 shall be made to reduce the amount that Council Tax payers must pay 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 2010) 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 identifies 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 2009/10

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

Revenue Spending

The original budget had a deficit of £3.8m which it was planned to fund from reserves. The Council has spent £1.9m less than expected, though £0.3m of spending on projects has been deferred to 2010/11. The opportunity has been taken to place this £1.9m in a Special Reserve to be used to meet any one-off costs of achieving the significant reduction in net expenditure required over the next few years. This counts as expenditure and so there is no change to the £3.8m needed from general reserves.

The main items leading to the lower spending this year were lower provision for debt repayments net of interest (-£499k), extra specific government grant (-£579k), recovery of VAT (-£696k), housing benefits (-£130k), savings on management units (-£469k), items slipping to the following year in excess of the provision (-£96k). These savings have been partly offset by extra spending and reduced income on development control (£280k) and One Leisure (£194k).

2008/09	**Revenue spending**	2009/10		
Outturn		Budget	Outturn	Variation
		£000	£000	£000
19,950	Net Expenditure	23,380	21,393	-1,987
	Contribution to Special Reserve		1,913	+1,913
19,950	**Total Net Expenditure**	**23,380**	**23,306**	**-74**
	Funded from:			
-12,158	Government Support (RSG + NNDR)	-12,572	-12,572	0
-6,668	Council Tax	-7,023	-7,023	0
28	Collection Fund Deficit	-27	-49	22
0	Deferred projects reserve	0	96	-96
-1,152	Deficit funded (-) from Reserves *	-3,758	-3,758	0
-19,950		**23,380**	**23,306**	**-74**

*General Reserve and Delayed Projects Reserve

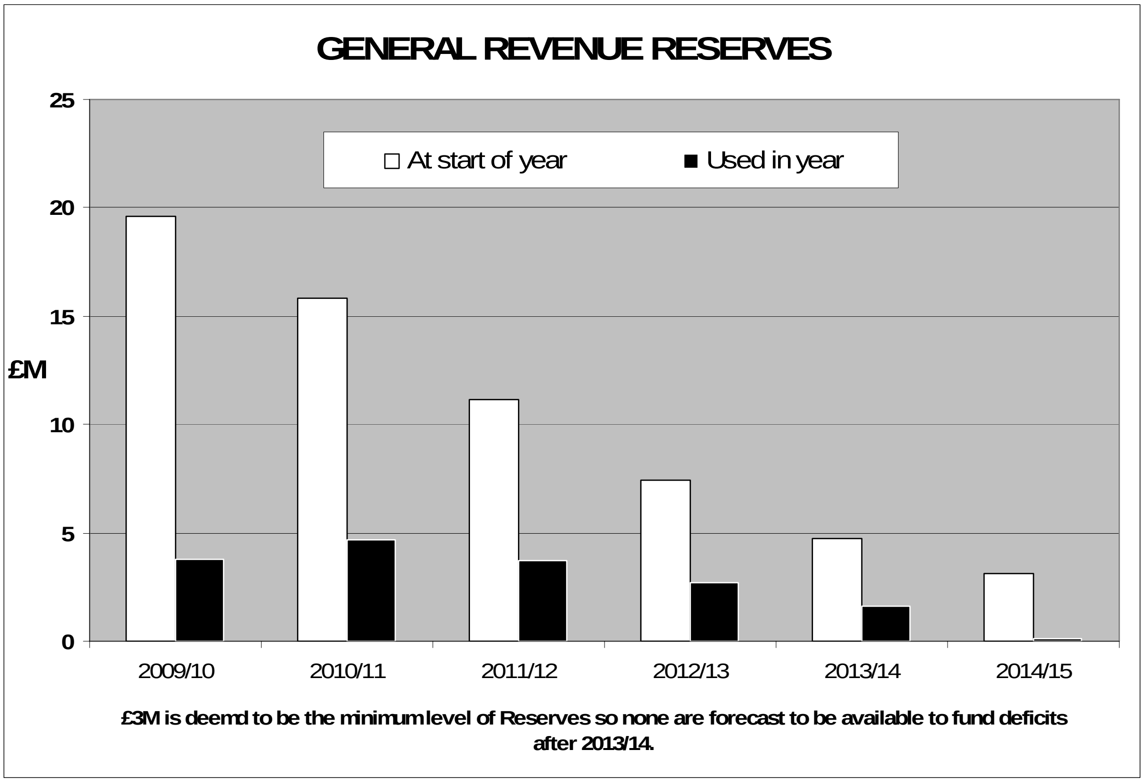
Capital Spending

The original net budget was for £17.8m and assumed that there would be schemes brought forward from 2008/09 of £0.7m. However, reduced contributions towards schemes in 2008/09 resulted in a negative brought forward amount of £1.1m. A combination of reductions and delays in the Capital Programme in 2009/10, mainly as a result of the economic situation, has resulted in a net £5.1m of schemes being either removed or deferred to 2010/11 and beyond.

Capital Spending	**2009/10 £000**
Environmental Services	292
Industrial and Economic Development	677
Parks and Countryside	712
Leisure Centres	2,425
Community Grants	65
Housing	2,198
Community Safety	8
Highways and Transportation	763
Vehicles and Plant	593
Office accommodation (new Customer Services Centre and Offices in St Mary's Street)	5,969
IT	904
Other	39
Gross	**14,645**
Less external contributions and capital grants	-3,013
Net	**11,632**
Funded from	
Capital Reserves (capital receipts)	895
Borrowing	10,737

Reserves
General Revenue reserves are now down to £15.6m and Capital reserves are effectively nil with any capital receipts being used to fund expenditure in the year they are received.

The Council's last financial forecast was produced in February and 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 2009/10 outturn.

Pension Fund
The pension fund's actuary reviews the adequacy of the fund to meet future liabilities each year. This year, 2009/10, he has changed the post-retirement mortality assumptions as a result of longer life expectancies which has increased the expected liabilities on the fund. He has also taken account of the additional employees' contributions and the impact on the funds investments from falls in the stock market resulting from the recession. The net effect is that the forecast deficit has risen from £30m to £68m. 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 2009/10 was 18.4% and the Council's MTP already provides for increases in 2010/11 (20.4%) and future years. The valuation this autumn based on the position as at 31 March 2010 will confirm the employer's contributions for 2011/12 and the following two years.

Treasury Management

In June 2010 the Council will receive a report on Treasury Management activity during 2009/10. It explains how the Council has continued to be prudent in its investment policy whilst still attempting to get reasonable returns. Instant notice liquidity accounts, banks with high credit ratings and UK building societies have been used in order to create a strategy that beats base rate at a very low risk of non-repayment. The report also highlights that the Council's investments exceeded their benchmark by 3.7% mainly due to some longer term investments that were made before interest rates fell.

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.

2008/09 Actual	**Revenue Income and Expenditure**	**2009/10 Actual**	
£000		£000	£000
88,145	**Gross Expenditure**	86,422	
	Contribution to Special Reserve	1,913	
-24,030	**Less** government prescribed adjustments**	-9,676	
64,115			**78,659**
	Income and other items		
-8,313	Fees and charges	-13,343	
-32,800	Government grants including reimbursement of housing and council tax benefits	-40,409	
-2,491	Investment Income	-1,044	
-363	Trading undertakings surplus (-)	-557	
-43,967			**-55,353**
20,148	**Total to be funded**		**23,306**
	Funding		
-6,640	Council Tax	-7,072	
-1,685	General Government Grants	-2,357	
-10,671	NNDR from national pool	-10,215	
-18,996			**-19,644**
-1,152	**Surplus to or deficit (-) met from reserves**		**-3,662**
	Revenue Reserves used (-)		
-1,091	General Revenue Reserves	-3,758	
-61	Provision for delayed projects	96	
-1,152			**-3,662**

**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 until 2024/25 to ensure that it manages its resources proactively and allows the long term impact of any decision to be carefully considered. A medium term need for significant spending reductions, from extra grant income, increased fees and charges, efficiency improvements and service adjustments, has been identified.

Lower spending than expected in 2009/10 has enabled a Special Reserve of £1.9m to be created that will be used to fund any up-front costs relating to achieving savings. The delivery of these spending reductions will balance service delivery with current plans for limited increases in the Council Tax.

Terry Parker
Director of Commerce & Technology
30 June 2010

Statement of Accounts approved by the Corporate Governance Panel
Chairman: **Cllr. C Stephens**
30 June 2010

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 2010

The Responsibilities of the Director of Commerce and Technology

In preparing this Statement of Accounts which presents a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010, 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
30 June 2010

Annual Statement on Governance

Auditor’s Report

Accounting Policies

1. General

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. 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 a true and fair view of the financial position and transactions of the authority.

Accounts are prepared under the historic cost convention, modified by the revaluation of land and buildings 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 31. Rental deposits for tenants have been treated as soft loans for the first time in 2009/10.

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

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance 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 asset 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 in two ways:

- 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 time 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 – 25% reducing balance
- Plant and equipment – straight line basis
- 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 minimum revenue provisions (MRP).

MRP

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. This was approved at its meeting in September 2009. The policy for 2009/10 is that MRP is on an annuity basis. This provides annual payments that are the same each year but where the interest element decreases and the principal repayment increases annually.

Depreciation, impairment losses and amortisations will therefore be replaced by this provision in the SMGFB, by 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 cost. 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, Collection Fund 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.

Details of the Council's expenditure, income, assets and liabilities relating to The Local Government Pension Scheme, are given on pages 47 – 51.

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 2010. Government grants to cover general expenditure are credited to the Income and Expenditure Account. These include the Revenue Support Grant and the Area Based Grant (ABG).

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.

FRS15 requires part of the overheads relating to staff time spent on capital projects being treated as a revenue charge to the service rather than a charge to the capital project.

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; full recovery was temporarily permitted in 2007/08 and 2008/09 but reverted to being irrecoverable in 2009/10.

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.

The Council has made loans for home improvement which are interest-free (soft loans). It gives rental deposits to tenants which are repaid over a period of up to 2 years. A change in accounting policy has treated these as soft loans for the first time in 2009/10. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans in the Income and Expenditure Account is managed by a transfer to the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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 amortised cost but with the fair value disclosed as a note

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

20. Collection Fund

From 2009/10 the billing authority for council tax (Huntingdonshire District Council) has been defined as an agent for the precepting authorities. The cash collected from council taxpayers belongs proportionately to the billing authority and the major preceptors which has resulted in a debtor/creditor position between the Council and the precepting authorities since the cash paid to each major preceptor will not be its share of cash collected from the council taxpayers.

The collection of national non-domestic rates (NNDR) has also been classified as agency on behalf of central government which has resulted in changes to how NNDR is accounted for.

This change has had an impact on the Balance Sheet, Cash flow and Collection Fund. There have been prior period adjustments, with the 2009/10 statements being restated and a Collection Fund Adjustment Account created.

21. Leisure Centres

Up to and including 2008/09 the accounts of the Leisure Centre Management Committees were reported independently from the accounts of Huntingdonshire

District Council. The Management Committees ceased to exist from 1 April 2009 and therefore all the income and expenditure has been accounted for by the Council. Current assets and reserves of £139k have been transferred and the opening balance sheet has been restated to reflect this change

GLOSSARY OF TERMS

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

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

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

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

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

Capital Receipts – income received from selling fixed assets.

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

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

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

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

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

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

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

Earmarked Reserves – money set aside for a specific purpose.

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

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

FRS – financial reporting standard.

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

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

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

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

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

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

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

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

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

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

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

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

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

SSAP – Statement of Standard Accounting Practice.

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

Income and Expenditure Account

2008/09 Net Expenditure £000		Note	2009/10 Gross Expenditure £000	2009/10 Income £000	2009/10 Net Expenditure £000
	Net Cost of Services				
	Cultural, Environmental & Planning Services				
5,905	Leisure		13,405	-6,033	7,372
6,715	Environmental Services		7,521	-1,265	6,256
3,257	Refuse Collection		3,120	-128	2,992
7,452	Planning and Development	**1**	5,838	-3,099	2,739
	Housing Services				
4,384	Housing General Fund		34,876	-31,241	3,635
221	Local Taxation Benefits		7,994	-7,794	200
2,360	Highways and Transportation		3,071	-1,912	1,159
	Central Services				
929	Local Taxation Collection		1,376	-486	890
364	Other Central Services		575	-283	292
12,168	Exceptional item	**2**	4,422	0	4,422
3,005	Corporate and Democratic Core		3,832	-630	3,202
272	Non-distributed costs		392	-923	-531
47,032	**NET COST OF SERVICES**		**86,422**	**-53,794**	**32,628**
	Corporate Income and Expenditure				
-363	Gain (-) on disposal of assets				-567
3,737	Parish Precepts				3,915
467	Trading undertakings surplus(-)/deficit	**3**			-523
222	Interest payable				476
-2,713	Interest and investment income				-1,521
6	Amounts payable into the Housing Capital Receipts Pool				3
1,199	Pensions interest cost and expected return on assets	**10**			2,352
49,587	**NET OPERATING EXPENDITURE**				**36,763**
	Principal Sources of Finance				
-10,377	Income from the Collection Fund				-10,986
-1,685	General Government Grants	**11**			-2,541
-10,672	Distribution from the Non-domestic rate pool				-10,215
26,853	**DEFICIT FOR THE YEAR**				**13,021**

Statement of Movement on the General Fund Balance

2008/09 £000		2009/10 £000
-20,410	**General Fund Balance brought forward**	**-19,319**
26,853	Deficit for the year (Income and Expenditure Account)	13,021
-25,762	Net amount required by statute and non-statutory proper practices to be credited to the General Fund	-9,263
1,091	**Increase(-)/Decrease in General Fund Balance for the year**	**3,758**
-19,319	**General Fund Balance carried forward**	**-15,561**

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

2008/09 £000		2009/10 £000	2009/10 £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		
-1,034	Amortisation of intangible assets	-839	
-21,574	Depreciation and impairment of fixed assets	-8,791	
83	Government grants deferred amortisation	64	
-2,338	Revenue funded from capital under statute	-1,411	
363	Net gain on sale of fixed assets	567	
-4,328	Net charges made for retirement benefits in accordance with FRS17	-4,263	
0	Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	1	
-41	Amount by which finance costs calculated in accordance with the SORP are different from those required by statute	15	
-28,869			**-14,657**
	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		
-102	Commutation adjustment	-17	
0	Minimum revenue provision for capital financing	3	
-6	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	-3	
2,902	Employer's contributions payable to the Cambridgeshire County Council Pension Fund and retirement benefits payable direct to pensioners	3,377	
2,794			**3,360**
	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		
313	Net transfer to or from earmarked reserves		**2,034**
-25,762	**Net additional amount required to be credited to the General Fund Balance for the year**		**-9,263**

Statement of Total Recognised Gains and Losses

2008/09 £000		2009/10 £000
26,853	Deficit on the Income and Expenditure Account	13,021
-7,601	Change in the revaluation of assets	680
9,634	Actuarial gains (-) and losses on Pension Fund assets and liabilities	37,445
5	Deficit/surplus (-) on the Collection Fund	16
28,891	**Total recognised gain (-) / loss for the year**	**51,162**

The movement of £51,143k in 2009/10 represents the reduction in reserves as shown on the balance sheet during the year.

Balance Sheet as at 31 March 2010

Restated 2009 £000		Note	2010 £000	£000
2,147	Intangible assets	13		2,036
	Tangible fixed assets	13		
	Operational assets			
30,445	Land and buildings		33,232	
7,766	Vehicles and plant		7,793	
8,465	Infrastructure		8,744	
1,406	Community asset		1,406	51,175
	Non-operational assets			
15,345	Investment properties		17,035	
3,125	Assets under construction		1,020	
1,548	Surplus assets, held for disposal		243	18,298
70,247	***Total fixed assets***			71,509
15,238	Investments	17	10,570	
1,250	Long-term debtors	18	1,542	12,112
86,735	***Total long-term assets***			**83,621**
	Current assets			
791	Cash		1,394	
171	Stock	20	189	
7,411	Debtors	19	11,979	
27,925	Short-term investments		10,124	
444	Payments in advance		515	
36,742			24,201	
	Current liabilities			
-8,494	Creditors	21	-7,333	
-2,459	Receipts in advance		-1,001	
-1,879	Cash overdrawn		-1,307	
-6,000	Short term borrowing		-4,500	
-18,832			-14,141	
17,910	***Net current assets***			**10,060**
	Long-term liabilities			
-10,110	Long term Borrowing	22	-10,210	
-140	Deferred credits (including capital receipts)		-341	
-1,050	Deferred grants and contributions	15	-2,616	
-29,716	Pension scheme liability	29	-68,047	
-41,016				**-81,214**
63,629	***Total assets less liabilities***			**12,467**
	Financed by:			
61,506	Capital adjustment account	24	51,151	
8,543	Revaluation reserve	24	7,863	
72	Capital reserve	27	0	
-214	Financial instruments adjustment account	26	-199	
4,126	Earmarked reserves	28	6,137	
-7	Collection Fund adjustment account		1	
19,319	General Fund balance	28	15,561	
-29,716	Pensions reserve	29	-68,047	
63,629				**12,467**

Terry Parker BA (Hons) FCA, Director of Commerce and Technology 30 June 2010

Cash Flow Statement

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

	2008/09 restated		2009/10	
	£000	£000	£000	£000
Revenue Activities				
Net cash inflow/(outflow) from operating activities		**961**		**-2,491**
Returns on Investments and Servicing of Finance				
Cash outflows				
Interest paid	222		873	
Cash inflows				
Interest received	-2,713		-744	
		-2,491		**129**
Capital Activities				
Cash outflows				
Purchase of fixed assets	15,257		11,897	
Long-term investments	5,138		0	
Other capital cash payments	517		248	
Cash inflows		**20,912**		**12,145**
Sale of ex-Council houses	-240		-593	
Sale of other assets	-242		-233	
Long-term investments	0		-37	
Capital grants received	-1,217		-531	
Other capital cash receipts	-119			
		-1,818		**-1,394**
Net cash inflow before financing		**17,564**		**8,389**
Management of liquid resources				
Net increase/decrease in liquid resources		**-2,324**		**-11,064**
Financing				
Cash outflows				
Repayment of amounts borrowed				**1,500**
Cash inflows				
New loans raised		**-16,000**		
Change in balance at bank (- is reduced overdraft)		**-760**		**-1,175**

Notes to the Main Financial Statements

Notes to the Income and Expenditure Account

1. 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.

	2008/09 £000	2009/10 £000
Income	-422	-405
Expenditure	450	397
Surplus (-)/deficit	**28**	**-8**
Cumulative surplus (-)/deficit (3 years)	-101	-78

2. Exceptional item

There has been a material impairment of the Council offices because the valuation of the replacement building is less than its capital cost. The valuations were carried out externally and independently by MG Storey FRICS and MJ Beardall BLE (Hons) MRICS of Barker Storey Matthews

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 of £4,422k. The cost is reversed out in the Statement of Movement on General Fund Reserve so there is no impact on the council tax.

3. Trading Undertakings

The following items are defined as trading undertakings by the SORP.

	2008/09		2009/10	
	Turnover £000	**Surplus/ Deficit (-) £000**	**Turnover £000**	**Surplus/ Deficit (-) £000**
Markets				
Huntingdon	53	15	52	31
Ramsey	5	3	5	1
St Ives	120	77	134	99
Management	1	-62	0	-85
	179	**33**	**191**	**46**
Industrial properties	**493**	**-427**	**476**	**282**
Commercial properties	**229**	**-73**	**239**	**195**
Total	**901**	**-467**	**906**	**523**

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

4. 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 £3k (nil in 2008/09 because the Council had not funded any capital expenditure from borrowing as at 31 March 2008).

5. Members' Allowances and Expenses

	2008/09 £000	2009/10 £000
Allowances	371	379
Expenses	77	67
	448	**446**

6. 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.

	2008/09	2009/10
£50,000 - <£55,000	14	20
£55,000 - <£60,000		1
£60,000 - <£65,000	2	2
£65,000 - <£70,000	1	2
£70,000 - <£75,000	6	6
£75,000 - <£80,000	2	2
£80,000 - <£85,000		
£85,000 - <£90,000	1	
£90,000 - <£95,000	1	
£95,000 - <£100,000	1	
£100,000 - <£105,000		2
£105,000 - <£110,000		1
£165,000 - <£170,000	1	
£170,000 - <£175,000		
£175,000 - <£180,000		1

7. Remuneration for Senior Employees 2009/10

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

Post holder	Salary including allowances £	Election Fees	Salary including allowances and fees	Bonus (1) £	Benefits in kind £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Chief Executive (David Monks)	149,984	7,812	**157,796**	8,940	11,039	**177,775**	28,909	**206,684**
Director of Central Services	93,191	2.537	**95,728**	5,418	5,277	**106,423**	16,695	**123,118**
Director of Commerce and Technology	94,985		**94,985**	5,418	1,507	**101,910**	16,674	**118,584**
Director of Environment and Community Services	91,727		**91,727**	5,418	6,475	**103,620**	16,674	**120,294**

Note

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

8. Audit and Inspection Fees

	2008/09 £000	2009/10 £000
External audit	78	103
Grant claim certification	26	18
Statutory inspections	6	8
National Fraud Initiative	3	1
	113	**130**

9. 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 19 and 21, whilst Government grants are analysed in note 37 to the cash flow.

10. Pension Costs

Details of pension costs are included in the statement of pension costs, assets and liabilities on page 49.

11. Government Grants Income

Grants not attributable to specific services.

	2008/09 £000	2009/10 £000
Revenue Support Grant	1,486	2,358
Area Based Grant	49	71
Local Authority Business Growth Incentive Grant	150	112
	1,685	**2,541**

Notes to the Balance Sheet

12. 2008/09 Restated Balance Sheet

The 2008/09 Balance Sheet has been restated for the impact of including the current assets and reserves of the Leisure Centres and for changes relating to the Collection Fund.

13. Assets

All assets held at current value were revalued at 1 April 2009 and applied to the 2009/10 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.

Some assets were revalued at 1 April 2010 where there has been significant changes to the buildings during the year, and applied to the 2009/10 accounts.

As at 31 March 2010 the Council was contractually committed to capital works valued at approximately £3.5m.

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	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 2009	**30,445**	**10,592**	**9,325**	**1,406**	**15,345**	**3,125**	**1,548**	**4,441**	**76,227**
Additions	8,246	1,454	427		414	691		652	**11,884**
Disposals	-120	-778	-67					-608	**-1,573**
Reclassifications	2,210	180	331		1,271	-2,796	-1,271	75	**0**
Revaluations	-684				40		-34		**-678**
Impairment losses	-5,940				-35				**-5,975**
At 31 March 2010	**34,157**	**11,448**	**10,016**	**1,406**	**17,035**	**1,020**	**243**	**4,560**	**79,885**
Depreciation and impairments at 1 April 2009	**0**	**2,826**	**860**					**2,294**	**5,980**
Charge for 2009/10	925	1,573	479				-35	838	**3,780**
Revaluation gains in respect of accumulated depreciation/adjustments									
Disposals		-744	-67				35	-608	**-1,384**
At 31 March 2010	**925**	**3,655**	**1,272**				**0**	**2,524**	**8,376**
Balance Sheet amount at 1 April 2009	**30,445**	**7,766**	**8,465**	**1,406**	**15,345**	**3,125**	**1,548**	**2,147**	**70,247**
Balance Sheet amount at 31 March 2010	**33,232**	**7,793**	**8,744**	**1,406**	**17,035**	**1,020**	**243**	**2,036**	**71,509**

Notes

1. The Council operates five Leisure Centres 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 2010	Number
Offices and depot	4
Leisure Centres	5
Markets	2
Bus stations	2
Public conveniences	7
Car parks	23
Mobile home park	1
Country parks	2
Recreation grounds	6
Pavilions	4
Eco homes	2
Vehicles and plant	111
Investment properties	119
Surplus assets held for disposal	1

14. Financing of Capital Expenditure

	2008/09 £000	2009/10 £000
Capital receipts	16,433	823
External contributions and capital grants	3,081	3,085
Borrowing	447	10,737
Revenue	1	0
Total financed	**19,962**	**14,645**

15. Deferred grants and contributions

	2009 £000	2010 £000
Balance as at 1 April	1,399	**1,050**
Increase in deferred grants and contributions	940	1,690
Use of account to fund depreciation	-72	-124
Impairment	-1,217	0
Balance as at 31 March	**1,050**	**2,616**

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
Gross value of assets held under finance leases	267
Net Value at 1 April 2009	267
Additions	
Revaluations	
Depreciation charged in year	
Disposals	
Value at 31 March 2010	267

There were no finance charges allocated for the period 2009/10.

Outstanding obligations (excluding finance costs) at 31 March 2010, accounted for as part of long-term liabilities, are as follows:

	Land & Buildings £000	Vehicles, Plant, Equipment £000
Amounts payable within 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 2010		
Cumulative depreciation as at 31 March 2010	0	0

There were no new obligations taken on before 31.3.10 which did not commence until after year end

Operating leases

Operating lease payments

	2009 £000	2010 £000
Buildings	0	0
Vehicles	97	98
Total	**97**	**98**

Future liability under existing operating leases

	2009 £000		2010 £000	
	Buildings	Other	Buildings	Other
Leases expiring in 1 year	0	75	0	82
Leases expiring in 2 - 5 years	0	73	0	113
Leases expiring in more than 5 years	0	0	0	
	0	**148**	**0**	**195**

17. Long-term Investments

	2009 £000	2010 £000
Long-term investments held at 31 March		
CDCM Investment Fund	5,113	0
In-house managed funds	10,125	10,570
	15,238	**10,570**

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 2010 the short-term funds with CDCM totalled £5.1m. Monies required to meet the Council's cash flow requirements over the next year are managed in-house, and at the year-end amounted to £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 2010 include £0.4m invested with Chancery bank, which is all 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 1.4.09 £000	Repayments/ new advances £000	Revaluation/ Gain/-loss £000	Balance 31.3.10 £000
Loans – St Neots Town Council	106	-10		96
Housing advances	596	-23		573
House improvement loans	479	33	19	531
House mortgages	25	-5		20
Tenants' rental deposits	0	215	-4	211
Employee loans	44	67		111
	1,250	**277**	**15**	**1,542**

19. Debtors

	31.3.09 £000 (Restated)	31.3.10 £000
Amounts falling due in one year:		
Government Departments	2,055	1,567
NNDR National Pool (creditor 2008/09)	0	5,087
Public Authorities	1,728	3,654
Local taxation	1,194	197
NNDR payers	916	0
General debtors	2,460	3,351
Total debtors	**8,353**	**13,856**
Less provision for bad debts		
Local Taxation	-181	-76
General Debtors	-310	-236
Other	-451	-1,565
	-942	**-1,877**
Net Position	**7,411**	**11,979**

20. Stock

	31.3.09 £000 (Restated)	31.3.10 £000
Leisure Centres	63	55
Diesel	10	37
Printing	36	24
Refuse sacks	20	18
Other	41	55
	170	**189**

21. Creditors

	31.3.09 £000 (Restated)	31.3.10 £000
Government Departments	1,717	1,007
Public Authorities	1,351	1,260
Leisure Centre Management Committees	158	0
Other	5,268	5,066
	8,494	**7,333**

22. Long term Borrowing

The Council has borrowed £10m from the Public Works Loans Board (PWLB). The Balance Sheet figure includes accrued interest of £110k

In 2009/10 the Council introduced a scheme whereby Parish Councils could invest their surplus funds with the Authority. These are treated as long-term loans in the balance sheet, but total just £100k as at the balance sheet date

23. Reserves

The Council maintains 7 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.
- Collection Fund Adjustment Account is a new account in 2009/10 that accounts for the difference between the income from council tax included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- 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

	2008/09		2009/10	
	£000	**£000**	**£000**	**£000**
Balance as at 1st April		**70,163**		**61,506**
Financing of capital expenditure				
Capital receipts	16,433		823	
External grants & contributions	3,082	19,515	3,070	3,893
Minimum revenue provision	0		3	
Provision for depreciation	-3,736		-3,656	
Deferred charges and debtors	-5,420		-4,409	
Commutation adjustment	-102		-17	
Impairment	-18,872		-5,973	
Disposal	-42	-28,172	-196	-14,248
Balance as at 31st March		**61,506**		**51,151**

25. Revaluation Reserve

	2008/09	2009/10
	£000	**£000**
Balance as at 1st April	**942**	**8,543**
Surplus on revaluation	7,601	-680
Balance as at 31st March	**8,543**	**7,863**

All land and buildings have been revalued as a result of the 5 yearly full valuation. The most significant gains have been in the following areas - Leisure Centres, £4.3m; £1.1m for investment properties (industrial and commercial units) and £0.8m for car parks.

26. Financial Instruments Adjustment Account

	2008/09	2009/10
		£000
	£000	
Balance as at 1st April	**-173**	**-214**
Adjustment for fair value of private sector housing improvement loans	-41	19
Adjustment for fair value of rental deposits given as loans to tenants	0	-4
Balance as at 31st March	**-214**	**-199**

27. Capital Reserve (Usable Capital Receipts and Capital Contributions)

	2008/09		2009/10	
	£000	£000	£000	£000
Balance as at 1st April		**16,023**		**72**
Receipts				
Sale of Council houses	240		593	
Sale of land and other buildings	165		155	
Disposal of vehicles	0		15	
Repayment of loans	34		33	
Improvement grants	43		27	
Non-specified investments	0	482		823
Receipts applied during the year		-16,433	-895	-895
Balance as at 31st March		**72**		**0**

28. Revenue Reserves

	Balance 1.4.09 (Restated) £000	Movement £000	Balance 31.3.10 £000
Earmarked reserves:			
S106 agreements	1,154	97	1,251
Commuted S106 payments reserve	1,199	-60	1,139
Repairs and renewals funds	1,204	-24	1,180
Delayed projects reserve	274	96	370
Special spending reserve	0	1,913	1,913
Other reserves	272	12	284
	4,103	**2,034**	**6,137**
Collection Fund	23	-23	0
	4,126	**2,011**	**6,137**
General fund balance	**19,319**	**-3,758**	**15,561**

29. Pensions Scheme Liability and Pensions Reserve

	Balance 1.4.09 £000	Movement £000	Balance 31.3.10 £000
Pensions Reserve	-29,716	-38,331	-68,047

Details included in Pensions section page 49

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 Court of Appeal judgement which allowed claims for VAT refunds to be made back to 1973, when VAT was introduced. The judgement related to 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. Whilst some sums were paid in 2009/10 there is an outstanding claim of £320k which is dependent on a legal judgement on a similar case.

   There is a separate legal challenge relating to whether interest would be simple or compound. It is unlikely that a judgment will be made in the next financial year.

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

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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 2010 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 the original decision will be upheld, the Court of Appeal or the House of Lords might reverse the decision. The Council would then have to repay the monies but there is a reasonable possibility that the other insurance company would then become liable.

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.

5. The appellants in respect of the former RAF Upwood planning appeal have made a full costs claim against the Council. Whilst it is hoped that this claim will be unsuccessful, the decision as to whether costs may be awarded, is totally outside the control of 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 2009 £000		31 March 2010 £000
	Financial assets by class	
	Loans and receivables	
7,398	Debtors due within one year	12,038
1,283	Debtors due after one year	1,542
15,238	Long-term investments	10,570
27,927	Short-term investments	10,124
687	Cash and equivalents	1,394
52,533	*Total loans and equivalents*	*35,668*
52,533	**Total financial assets**	**35,668**
	Financial liabilities by class	
	Other liabilities at amortised cost	
-10,110	Long-term liability at fixed rate of interest	-10,110
-8,263	Creditors payable within one year	-7,355
-6,000	Short-term liability at fixed rate of interest	-4,500
-1,879	Bank overdrafts	-1,307
-26,252	*Total other liabilities at amortised cost*	*-23,272*
-26,252	**Total financial liabilities**	**-23,272**

Fair value of assets and liabilities carried at amortised cost

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

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

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 2009			31 March 2010	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
£000s	**£000s**		**£000s**	**£000s**
		Financial assets		
		Loans and receivables		
8,681	8,471	Total debtors	13,580	13,431
43,165	41,763	Total investments	20,694	21,039
687	687	Cash and equivalents	1,394	1,394
52,533	**50,921**	**Total**	**35,668**	**35,864**
		Financial liabilities by class		
		Other liabilities at amortised cost		
-10,110	-9,757	Long-term loan	-10,110	-9,757
-8,263	-8,263	Total creditors	-7,355	-7,355
-6,000	-6,000	Short-term loans	-4,500	-4,500
-1,879	-1,879	Bank overdrafts	-1,307	-1,307
-26,252	**-25,899**	**Total**	**-23,272**	**-22,919**

Nature and extent of risks arising from Financial Instruments

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

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

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

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

The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the balance sheet date. There are no investments that as at 31 March 2010 were with institutions that had failed.

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

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

The PWLB loan has the following maturity profile:

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

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

Price risk and foreign exchange risk are not applicable.

32. Authorised for issue *(to be completed in September 2010)*

The audited Statement of Accounts were authorised for issue by the Director of Commerce and Technology on *insert date of September CGP meeting* This is the date up to which events after the balance sheet date have been considered.

Notes to the Cash Flow Statement

33. 2008/09 Restated Cash Flow Statement

The 2008/09 Cash Flow Statement has been restated for the impact of changes relating to the Collection Fund.

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

	2008/09	restated	2009/10	
	£000	£000	£000	£000
Net revenue activities cash flow		961		-2,491
Net interest received	-2,491		-1,044	
Depreciation	3,736		3,654	
Impairment	18,873		5,974	
Capital grants and adjustments for soft loans	-32		-15	
Transfer to earmarked reserves			2,122	
Pensions appropriation	1,426		886	
Surplus on sale of fixed assets	-365		-567	
Housing capital receipts pool	6		0	
Reduction in long term investments			5,000	
Changes in:				
Creditors	4,921		-454	
Debtors	-209		-26	
Stock	27		-18	
		25,892		15,512
Income and Expenditure Account deficit		**26,853**		**13,021**

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

	1.4.09 £000 (Restated)	Movement £000	31.3.10 £000
Cash in hand	791	603	1,394
Cash overdrawn	-1,879	573	-1,306
Short-term borrowing	-6,000	1,500	-4,500
Short-term investments	27,926	-17,802	10,124
Amounts Relating to Council Tax and NNDR	-608	6,737	6,129
	20,230	**-8,389**	**11,841**

36. Analysis of change in the management of liquid resources and financing

	1.4.09 £000	Movement £000	31.3.10 £000
Short-term borrowing	-6,000	1,500	-4,500
Short-term investments	27,926	-17,802	10,124
	21,926	**-16,302**	**5,624**

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. The short-term borrowing was a temporary position as at 31 March 2010 before the Council collected council tax instalments in April 2010.

37. Analysis of Government Grants

	2008/09		2009/10	
	£000	£000	£000	£000
Revenue support grant		1,486		2,358
Benefits grants:				
Council tax benefits	6,382		7,456	
Rent allowances	24,287	30,669	29,872	37,328
Other:				
Local Authority Business Growth Incentive Grant	150		112	
Other capital grants	1,182		725	
Benefits administration	891		1,010	
Other	1,048	3,271	1,755	3,602
		35,426		**43,288**

Collection Fund

2008/09 £000	2008/09 £000		Note	2009/10 £000	2009/10 £000
		INCOME			
-72,950		Council Tax before transfers	5	-75,853	
		Transfers from General Fund			
-6,327		- Council Tax benefits		-7,394	
-1		- Transitional relief		-1	
-50,843		- Income from business ratepayers	6	-51,368	
-212		Contribution towards previous years Collection Fund deficit		0	
	-130,333				-134,616
		EXPENDITURE			
79,194		Precepts and demands	4	82,709	
		Business rate			
50,617		- Payment to national pool		51,140	
226		- Costs of collection		228	
		Bad and doubtful debts/appeals			
49		- Write-offs		162	
300		- Provisions		105	
0		Contribution towards previous years estimated collection fund surplus		375	
	130,386				134,719
		MOVEMENT ON FUND BALANCE			
-163		Fund balance as at 1 April		-110	
-110		Fund balance as at 31 March		-7	
	53	Movement on fund balance for year			103

Notes to the Collection Fund

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

Following national consideration of the role performed by billing authorities, it has been confirmed that they act as agent when collecting tax for major preceptors. The Collection Fund is presented in a new format to reflect this change in recommended practice. The accounts for 2008/9 have been restated accordingly.

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

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

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

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

4. Precepts and demands

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

	2008/09	2009/10
	£000	**£000**
Cambridgeshire County Council	56,578	58,961
Cambridgeshire Police Authority	9,065	9,546
Cambridgeshire Fire Authority	3,146	3,265
Huntingdonshire District Council-General Expenses	6,668	7,022
Huntingdonshire District Council-Parish Precepts	3,737	3,915
	79,194	82,709
Included in the Parish Precepts figure above:		
St Neots Town Council	760	804
Huntingdon Town Council	597	657
St Ives Town Council	480	506

5. Council Tax

Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
Taxbase at 31 March 2010				
A	11,174	2,100	6/9	6,046
B	18,495	2,477	7/9	12,459
C	16,910	1,752	8/9	13,474
D	11,084	1,009	9/9	10,075
E	8,272	721	11/9	9,229
F	3,367	294	13/9	4,439
G	1,618	134	15/9	2,474
H	147	23	18/9	249
Total	**71,067**			**58,445**

	2008/09	2009/10
Council tax charge per band D property	1,370	1,427
Actual taxbase used (Band D equivalent)	57,846	58,338
Estimated taxbase	57,785	57,960

6. National Non-domestic Rates (NNDR)

The uniform business rate set by the Government for 2009/10 was 48.5p (2008/09 46.2p).

Total ratable value at 31 March 2009 £124.5m
Total ratable value at 31 March 2010 £124.9m

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 (2008), which takes account of the latest relevant Financial Reporting Standards (FRS26 & FRS27), and 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 Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The rate for 2009/10 was determined on the basis of contribution rates set in the valuation on 31 March 2007. This valuation of the Pension Fund concluded that to meet future estimated liabilities higher rates were required: 16.3% (from 1 April 2008), 18.4% (from 1 April 2009) and 20.4% (from 1 April 2010) in accordance with Government regulations.

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

4. Transactions relating to Retirement Benefits

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

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

5. Income and Expenditure Account

	2008/09 £000	2009/10 £000
Net Cost of Services:		
Current Service Cost	2,226	1,897
Past Service Costs	894	0
Losses on Settlements and Curtailments	9	14
Net Operating Expenditure:		
Interest Cost	6,185	6,036
Expected Return on Scheme Assets	-4,986	-3,684
Net Charge to the Income and Expenditure Account	**4,328**	**4,263**
Actual Return on Plan Assets	-13,510	18,966
Statement of Movement in the General Fund Balance:		
Reversal of net charges made for retirement benefits in accordance with FRS17	-4,328	-4,263
Actual amount charged against the General Fund Balance for Pensions in the Year:	2,902	3,377
Employer's contributions to the scheme		

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £37.445m (£9.634m actuarial losses 2008/09) 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 £51.964m.

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

	31 March 2009	31 March 2010
	£000	£000
Actuarial Gains/-Losses	-9,634	-37,445
Cumulative Actuarial Gains/-Losses	-14,519	-51,964

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 2009 £000	31 March 2010 £000
Opening liability	**89,097**	**87,593**
Current service cost	2,226	1,897
Interest Cost	6,185	6,036
Contributions by members of scheme	1,093	1,124
Actuarial losses/-gains	-8,799	52,727
Estimated benefits paid	-2,930	-3,056
Estimated unfunded benefits paid	-182	-202
Past service costs	894	0
Losses/-gains on curtailments	9	14
Closing liability	**87,593**	**146,133**

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

	31 March 2009 £000	31 March 2010 £000
Opening fair value of assets	**70,441**	**57,877**
Expected return on assets	4,986	3,684
Actuarial losses/-gains	-18,433	15,282
Contributions by the employer	2,720	3,175
Contributions by members of scheme	1,093	1,124
Contributions re unfunded benefits	182	202
Benefits paid	-2,930	-3,056
Unfunded Benefits paid	-182	-202
Closing fair value of assets	**57,877**	**78,086**

Asset values are at bid value as required by FRS17.

8. Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	**£000**	**£000**	**£000**	**£000**
Present value of liabilities	-99,686	-99,622	-89,097	-87,593	-146,133
Fair value of assets	69,964	75,559	70,441	57,877	78,086
Surplus/-Deficit	**-29,722**	**-24,063**	**-18,656**	**-29,716**	**-68,047**
Experience gains/-losses on liabilities	-118	281	816	229	-533
Above, as percentage of present value of liabilities	0.12%	-0.28%	-0.92%	-0.26%	0.36%
Experience gains/-losses on assets	9,996	722	-10,626	-18,433	15,282
Above, as percentage of fair value of assets	14.29%	0.96%	-15.08%	-31.85%	19.57%

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 £3.481m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2011.

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 2010.

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

County Fund – Main Assumptions		**2008/09**	**2009/10**
Rate of inflation		3.1%	3.8%
Rate of increase in salaries		4.6%	5.3%
Rate of increase in pensions		3.1%	3.8%
Rate of discounting scheme liabilities		6.9%	5.5%
Mortality			
Longevity at 65 for current pensioners			
Men		19.6 years	20.8 years
Women		22.5 years	24.1 years
Longevity at 65 for future pensioners			
Men		20.7 years	22.3 years
Women		23.6 years	25.7 years
Expected long-term rate of return on assets			
Equity Investments		7.0%	7.8%
Bonds		5.6%	5.0%
Property		4.9%	5.8%
Cash		4.0%	4.8%
Take-up option to convert pension into tax free lump sum up to HMRC limits	For pre-April 2008 service	25%	25%
	For post-April 2008 service	25%	63%

In accordance with CIPFA guidance the discount rate employed for the 2009/10 financial year is the return available on long-dated, high quality corporate bonds at the FRS17 valuation date.

Pension fund assets are valued at fair value, principally market value for investments, but using the bid price rather than mid-market value, in accordance with latest financial instruments. The table below shows the mix of assets held and the expected rate of return for each category of asset. Actuarial advice on expected return on assets is based on long-term future expected investment return for each asset class as at 31 March 2009 (or date of joining the fund, if later).

	Proportion of Total assets held by the Fund	
	31 March 2009	**31 March 2010**
Equity Investments	64%	72%
Bonds	17%	15%
Property	10%	8%
Cash	9%	5%
Total Fund Assets	**100%**	**100%**

11 Further information

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