Statement of Accounts

For the year ended 31 March 2012

Contents

Explanatory Foreword

INTRODUCTION
This introduction outlines the content of the main financial statements and the financial results for the year ended 31 March 2012.

These Accounts have been prepared in accordance with the best-practice Code of Practice on Local Authority Accounting and in compliance with International Financial Reporting Standards. The Accounts and Audits Regulations 2011 require them to be ready for audit by 30 June and published by 30 September.

Many of the terms required by the Code are of a technical nature so there are a number of explanatory notes and a glossary at the end.

FINANCIAL STATEMENTS
The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the Council.

The Comprehensive Income and Expenditure Statement
This statement shows the “Surplus/deficit on the provision of services” as £6.2M and then makes adjustments relating to assets, movements on reserves and changes in valuation of the pension fund to arrive at the net “Total Comprehensive Income and expenditure” for the year of £15.1M. This bottom line represents the sum that needs to be funded from the Council’s reserves based on a technical accounting approach.

Movement in Reserves Statement
This shows the movement during the year in the different reserves held by the Council. These are split between ‘usable reserves’ (i.e. those that can be applied to fund the general expenditure of the Council and hence reduce the Council Tax level) and other reserves which have been created for, and can only be used for, specified purposes. The usable reserves themselves include some items that have been earmarked for particular purposes to leave the fully available “General Fund Balance”.

The “Total Comprehensive Income and Expenditure” line shows the £15.1M reduction in reserves to fund that sum. This amount then has relevant amounts charged against in respect of cash and non-cash transfers between useable and unusable reserves. In this way, the technical accounting aspects of accounting do not have a direct impact on the Council Tax payer (details in note 8). For example, it recognises that any deficit on the Pension Fund will be met over a number of years rather than immediately. It also removes any changes in the value of assets and replaces depreciation with a statutorily defined contribution towards repaying borrowing.

Finally it shows any discretionary transfers between reserves to then give the total used out of the General Fund Balance (£1.0M) which then leaves a total remaining of £12.9M.

Balance Sheet
The Balance Sheet shows the Council’s assets and liabilities as at the 31st March 2012. The £21.5M of net assets of the Council (assets less liabilities) are ‘balanced’ by the value of reserves held by the Council – Usable £18.7M and Unusable £2.8M as shown at the bottom of the Movement in Reserves Statement.

Every line in the Balance Sheet has a cross reference to the note that explains the item in further detail.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents during the year and splits the cash flows between operating, investing and financing activities.

It starts with the “Surplus/Deficit on the provision of services” of a deficit of £6.2M from the Comprehensive Income and Expenditure Statement and reconciles this with the “Cash and Cash Equivalents” figure in the Balance Sheet of -£0.3M.

FINANCIAL SUMMARY 2011/12

Revenue Spending

The following table shows a simplified combination of the Income and Expenditure Account and the Movement in Reserves statement. It shows the financing of revenue expenditure after having removed the items that the Government has specified that Council Tax payers do not have to fund.

The Council originally approved net expenditure of £22.6M with £3.6M being funded from Reserves. The 2012/13 Medium Term Plan (MTP), approved in February 2012, was based on £2.4M being funded from Reserves. The Outturn spending (net expenditure line) was £19.9M with the use of Reserves reduced to £0.9M.

The movement of £968kon General Revenue Reserves is shown in the Movement in Reserves Statement. The movements on the Special Reserve and Reserve for Delayed Projects are part of the movement on the earmarked reserves in the Movement in Reserves Statement and are detailed in note 9.

The reconciliation from the outturn for the year of £19,904k to the deficit of the provision of services in the Comprehensive Income and Expenditure Account is shown in note 13, the amounts reported for revenue budgets funded from council tax and general grants.

2010/11	Revenue Income and Expenditure	2011/12		
Actual		Budget	Outturn	Variation
£000		£000	£000	£000
74,423	**Gross Expenditure**	80,417	85,725	5,308
6,716	Statutory adjustments	0	-4,056	-4,056
81,139		**80,417**	**81,669**	**1,252**
	Income and other items			
-15,359	Fees and charges	-14,906	-15,526	-620
-41,795	Government grants including reimbursement of housing and council tax benefits	-42,280	-44,989	-2,709
-750	Investment Income	-616	-588	28
257	Trading undertakings surplus (-)/deficit	0	-662	-662
-57,647		**-57,802**	**-61,765**	**-3,963**
23,492	**Net Expenditure**	**22,615**	**19,904**	**-2,711**
	Funding			
-7,274	Council Tax	-7,383	-7,383	0
-1,641	Revenue support grant and special grants	-3,501	-3,501	0
-11,299	Business Rates from national pool	-8,037	-8,037	0
35	Collection Fund Deficit/Surplus (-)	-105	-105	0
-20,179		**-19,026**	**-19,026**	**0**
-3,313	**Deficit met from reserves**	**3,589**	**878**	**-2,711**
	Revenue Reserves used (-)			
-1,949	General Fund Balance	-3,589	-968	2,621
-1,553	Special reserve	0	-100	-100
189	Provision for delayed projects	0	190	190
-3,313		**-3,589**	**-878**	**2,711**

The most significant reductions were lower net operating costs at One Leisure (-£0.6M), vacancies and staff savings (-£0.7M), lower recycling gate fees (-£0.3M), retendering savings on insurance premiums (-£0.2M) and revenue items recharged to capital (-£0.2M). There were some areas where budgeted income was not achieved including planning applications fees (£0.2M), car parking charges (£0.2M) and commercial rents (£0.2M). Fuller details of the variations were reported to the Cabinet at its July meeting.

£0.7M of projects have been delayed from 2011/12 to the following year. This is £0.2M more than the budgeted assumption and so an increased contribution has been made to the provision for delayed projects

Capital Spending

The original net budget was for £11.9M and it was assumed that there would be schemes brought forward from 2010/11 of £1.2M. The schemes actually brought forward from 2010/11 totalled £1.1M. A combination of variations has resulted in £5.4M being spent mainly due to delays in three schemes: Huntingdon Western Relief Road (-£4.7M), Development of the St Ives Leisure Centre (-£2.9M) and the Huntingdon Multi-storey Car Park (-£0.7M). There have been increases of £0.5M on Disabled Facilities Grants and the addition of the ‘Invest to Save’ scheme for PV Panels at Eastfield House (£0.4M).

Capital Spending	2011/12 £000
Wheeled Bins	148
Environmental Strategy	538
Parks & Countryside	310
IT	986
Vehicles & Plant	315
Highways & Transportation	2,120
One Leisure	1,716
Housing	2,051
Other	216
Gross	**8,400**
Less external contributions and capital grants	-2,953
Net	**5,447**
Funded from	
Capital Reserves (capital receipts and unapplied grants reserve)	-1,230
Borrowing	-4,217

Reserves

Total useable reserves at 31 March 2012 are £18.7M, of which the General Fund Balance of £12.9M is available to support spending pending the identification of the further savings necessary to achieve a totally balanced budget before the Balance falls below a prudent level.

The Council's last budget and Medium Term Plan was produced in February 2012 and it plans for revenue reserves to fall to £4M (the estimate of the minimum level required) by 31 March 2016 but there will be further debate during the current year as to whether this is sufficient given the level of uncertainty that faces local authorities.

Pension Fund

The Council is part of the Local Government Pension Scheme, administered by Cambridgeshire County Council. The pension fund's actuary is required to review the fund to ensure that it can meet its future liabilities. To achieve this, the actuary undertakes a full revaluation of the fund every three years, the most recent having been undertaken at the 31 March 2010. Between each full revaluation, annual interim revaluations take place to ensure that the Council can appropriately report the current financial position of the fund. The 31 March 2012 actuarial valuation identified a deficit of £51.3M, which was an increase in the deficit of £41.4M that was reported as at 31 March 2011.

Although this deficit represents the sum that would have to be added to meet forecast claims on the fund if all the actuaries assumptions turn out to be valid, it is recognised practice for the deficit to be dealt with by making extra annual contributions over a period of years that are adjusted to reflect the full revaluation results every three years.

CONCLUSION

A combination of lower spending and higher income in some areas during 2011/12 has enabled £2.6M less than planned at the start of the year to be withdrawn from the General Fund Balance. This reflects management recognition of the financial challenges facing the Council and concerted attempts to achieve savings.

The Medium Term Plan and Financial Forecast to 2024/25 identifies further savings that will be required; specifically a further £0.9M needs to be identified by 2016/17 to ensure a balanced budget is achieved before reserves fall below prudent levels. The saving in 2011/12 will provide extra flexibility if difficulties or delays emerge.

Terry Parker (BA Hons) FCA
Managing Director, Resources and Responsible Financial Officer

Date 18/10/12

Statement of Accounts approved by the Corporate Governance Panel.

Chairman: Cllr E R Butler

Date 18·10·12.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

The Responsibilities of the Managing Director, Resources

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

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

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

The Managing Director, Resources has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year ended 31 March 2012

Terry Parker (BA Hons) FCA
Managing Director, Resources and Responsible Financial Officer

Date
19/10/12

Independent Auditor's Report to the Members of Huntingdonshire District Council

We have audited the statement of accounts of Huntingdonshire District Council (the 'Authority') for the year ended 31 March 2012 which comprises the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the Collection Fund, and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by the CIPFA Service Reporting Code of Practice 2011/12.

Respective responsibilities of the Managing Director of Resources and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the Managing Director of Resources is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the statement of accounts

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

Opinion on statement of accounts

In our opinion the statement of accounts:

- gives a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice 2011/12, of the state of the Authority's affairs as at 31 March 2012 and of the Authority's income and expenditure and cash flows for the year then ended; and

- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12.

Huntingdonshire District Council Statement of Accounts (31st March 2012)

Opinion on other matter

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the Annual Governance Statement on which the Code of Audit Practice issued by the Audit Commission requires us to report to you if, in our opinion, the Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Clive Everest
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
Cambridge
Date: 26 October 2012.

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

Huntingdonshire District Council's *responsibilities*

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

Auditors' responsibilities

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

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

Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

Huntingdonshire District Council Statement of Accounts (31st March 2012)

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Huntingdonshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Certificate

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

Clive Everest
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Cambridge
Date: 26 October 2012

Notes:

(a) The maintenance and integrity of the Huntingdonshire District Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	TOTAL USABLE RESERVES	Unusable Reserves	TOTAL AUTHORITY RESERVES
	£000	£000	£000	£000	£000	£000	£000
		Note 9		Note 14		Note 27	
BALANCE AT 31 MARCH 2010	**15,831**	**6,137**	**2**	**284**	**22,254**	**-4,262**	**17,992**
Movement in reserves during 2010/11							
Surplus/-Deficit on provision of services	3,534	0	0	0	**3,534**	0	3,534
Other comprehensive income and (-) expenditure	0	0	0	0		15,032	15,032
Total comprehensive income and (-) expenditure	**3,534**	**0**	**0**	**0**	**3,534**	**15,032**	**18,566**
Adjustments between accounting basis and funding basis under regulations (Note 8)	-6,825	0	0	310	**-6,515**	6,515	**0**
Net increase/decrease(-) before transfers to earmarked reserves	**-3,291**	**0**	**0**	**310**	**-2,981**	**21,547**	**18,566**
Transfers to/from earmarked reserves (note 9)	1,342	-1,657	0	0	**-315**	315	**0**
Increase/Decrease (-) in Year	**-1,949**	**-1,657**	**0**	**310**	**-3,296**	**21,862**	**18,566**
BALANCE AT 31 MARCH 2011 C/F	**13,882**	**4,480**	**2**	**594**	**18,958**	**17,600**	**36,558**
Movement in reserves during 2011/12							
Surplus/-Deficit on provision of services	-6,218	0	0	0	**-6,218**	0	**-6,218**
Other comprehensive income and (-) expenditure	0	0	0	0	**0**	-8,857	-8,857
Total comprehensive income and (-) expenditure	**-6,218**	**0**	**0**	**0**	**-6,218**	**-8,857**	**-15,075**
Adjustments between accounting basis and funding basis under regulations (Note 8)	6,003	0	-2	-66	**5,935**	-5,935	**0**
Net increase/decrease (-) before transfers to earmarked reserves	**-215**	**0**	**-2**	**-66**	**-283**	**-14,792**	**-15,075**
Transfers to/from earmarked reserves (note 9)	-753	753	0	0	**0**	0	**0**
Increase/Decrease (-) in Year	**-968**	**753**	**-2**	**-66**	**-283**	**-14,792**	**-15,075**
BALANCE AT 31 MARCH 2012 C/F	**12,914**	**5,233**	**0**	**528**	**18,675**	**2,808**	**21,483**

Comprehensive Income and Expenditure Statement

2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000		2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
12,722	-7,036	5,686	Cultural and Recreational Services	12,462	-8,040	4,422
8,098	-1,719	6,379	Environmental Services	6,007	-1,595	4,412
3,347	-154	3,193	Refuse Collection	3,215	-173	3,042
6,404	-2,997	3,407	Planning Services	5,266	-2,274	2,992
38,727	-33,472	5,255	Housing Services	40,352	-36,199	4,153
2,942	-2,059	883	Highways and Transport Services	3,514	-2,434	1,080
8,536	-8,299	237	Council Tax Benefits	8,579	-8,351	228
1,561	-581	980	Local Taxation Collection	1,471	-576	895
659	-252	407	Other Central Services	498	-258	240
3,970	-584	3,386	Corporate and Democratic Core	3,307	-483	2,824
1,826	-1	1,825	Non-Distributed Costs	923	-1	922
-14,369	0	-14,369	Exceptional item #	0	0	0
74,423	**-57,154**	**17,269**	**Cost of Services** (note 13)	**85,594**	**-60,384**	**25,210**
4,190	-220	3,970	Other Operating Expenditure (Note 10)	5,094	-582	4,512
2,902	-1,802	1,100	Financing and Investment Income and Expenditure (Note 11)	2,833	-1,753	1,080
35	-25,908	-25,873	Taxation and Non-specific Grant Income (Note 12)	0	-24,584	-24,584
81,550	**-85,084**	**-3,534**	**Surplus (-)/Deficit on provision of services**	**93,521**	**-87,303**	**6,218**
		-906	Surplus (-) or deficit in the revaluation of non-current assets (Note 27)			-206
		-14,126	Actuarial losses/gains (-) on pension assets and liabilities (Page 71, Paragraph 5)			9,063
		-15,032	**Other comprehensive income and expenditure**			**8,857**
		-18,566	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**15,075**

The exceptional item in 2010/11 is the credit to the Comprehensive Income and Expenditure Statement for pension costs; the majority of the credit is past service gain (£14,209k).

Balance Sheet

31 March 2011		Notes	31 March 2012
£000			£000
55,764	Property, Plant and Equipment	15	55,165
0	Heritage Assets	2	65
19,227	Investment Property	16	18,504
1,597	Intangible Assets	17	1,616
11,013	Long Term Investments	19	5,795
1,509	Long Term Debtors	19	961
89,110	**Long Term Assets**		**82,106**
5,007	Short Term Investments	19	5,771
207	Inventories	20	185
5,644	Short Term Debtors	21	4,804
250	Assets held for sale	25	805
11,108	**Current Assets**		**11,565**
-203	Cash and Cash Equivalents	22	-320
-3,211	Short Term Borrowing	19	-4,611
-8,074	Short Term Creditors	23	-5,100
-11,488	**Current Liabilities**		**-10,031**
-10,000	Long Term Borrowing	19	-10,000
-42,172	Other Long Term Liabilities	24	-52,157
-52,172	**Long Term Liabilities**		**-62,157**
36,558	**Net Assets**		**21,483**
18,958	Usable Reserves	26	18,675
17,600	Unusable Reserves	27	2,808
36,558	**Total Reserves**		**21,483**

The notes on pages 15 onwards, including the disclosure in respect of the Collection Fund and the Pension Fund form part of the financial statements.

Terry Parker (BA Hons) FCA
Managing Director, Resources and Responsible Financial Officer

18/10/12
Date

These financial statements replace the unaudited financial statements certified by Terry Parker (Managing Director, Resources and Responsible Financial Officer) on the 29th June 2012.

Cash Flow Statement

2010/11 £000		2011/12 £000
3,534	Net surplus/deficit (-)on the provision of services	-6,218
-7,324	Adjustments to net surplus or deficit on the provision of services for non cash movements	5,399
-802	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-1,375
-4,592	Net cash flows from Operating Activities (Note 30)	**-2,194**
1,310	Investing Activities (Note 31)	-246
2,992	Financing Activities (Note 32)	2,323
-290	Net increase or decrease (-) in cash and cash equivalents	**-117**
87	Cash and cash equivalents at the beginning of the reporting period	-203
-203	**Cash and cash equivalents at the end of the reporting period (Note 22)**	**-320**

Notes to the Accounts

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41. Nature and extent of risks arising from financial instruments

1. Accounting Policies 2011/12

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

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

The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

1.2 Accruals of Income and Expenditure

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

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

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the investment date and that are readily convertible to cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2011/12, a new accounting policy in respect of Heritage Assets has been introduced; see paragraph 1.12 and Note 2.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

1.5 Depreciation and other Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue, minimum revenue provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General

Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.

MRP – the basis for this provision is restricted by legislation and the policy has to be approved by the Council. The policy for 2011/12 is that MRP is on an annuity basis. This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is "notionally" repaid. The net result is a consistent charge to the Council's accounts over the assumed life of the asset.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal; receipts from disposals are credited to the same line. Any accumulated revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

1.6 Employee Benefits

Benefits Payable during Employment

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

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

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

Post Employment Benefits (Pensions)

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

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary).

- The assets of the Cambridgeshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

    - *current service cost* – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - *past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - *interest cost* – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - *expected return on assets* – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - *gains or losses on settlements and curtailments* – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - *actuarial gains and losses* – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

- *contributions paid to the Cambridgeshire Pension Fund* – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.7 Events after the Reporting Period

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

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

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

1.8 Exceptional Items

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

1.9 Financial Assets

Loans and receivables

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

Debtors

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

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

Cash and equivalents

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

Investments

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

The Council has made loans for home improvement which are interest-free (soft loans). When these soft loans are made, a loss is recorded in the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans in the Comprehensive Income and Expenditure Statement is managed by a transfer to the Financial Instruments Adjustment Account. It is included in the ‘Adjustment between accounting basis and funding basis under regulation’ line in the Movement in Reserves Statement.

1.10 Financial Liabilities

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

Creditors
Creditors are carried at their original invoice amount.

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

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

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

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

1.11 Government Grants and Contributions

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

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

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

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

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

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

1.12 Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

Heritage Assets are those that are held and maintained by the council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets; as detailed below.

The Authority's Heritage Assets are accounted for as follows:

Cultural

The Council has identified the Norman Cross and Eagle as a Heritage Asset and this is disclosed in the balance sheet, based on insurance valuation, at £65k. It should be noted that there is no phased basis of valuation. This asset is:

- deemed to have an indeterminate life and consequently the Council does not consider it appropriate to charge depreciation.
- static and located at Norman Cross, Cambridgeshire, near to the intersection with the A1.

General

The Council does not expect that there will be any acquisitions of Heritage Assets in the medium term and donations are rare. If the council was to receive a donation, this would be recognised at insurance valuation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

This is a new accounting policy for 2011/12; the 2010/11 comparative has not been restated as the amount is not material to the statements of account.

1.13 Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life and debited to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are debited to the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

1.14 Interest Receipts

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

1.15 Inventories

The Council has a number of small inventories e.g. bar stocks, sports sale items, fuel, refuse sacks, printing stocks and uniforms. These are included in the Balance Sheet at the lower of cost and net realisable value.

1.16 Investment Properties

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

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

Rental income received in relation to investment properties is credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and are reversed out of the General Fund Balance in the in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment, applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

In practice the Council has two categories of finance leases in primary rental for industrial units and secondary leases for certain items of equipment.

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

The Council as Lessor

Finance Leases
Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term) debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

1.18 Overheads and Support Services

The costs of overheads and support services are charged to services on the basis of use in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12. The basis of the charge varies according to the nature of the support service provided (e.g. administrative buildings are apportioned on the basis of area occupied).The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – for example the cost of lump sum employer contributions to the pension scheme.

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

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

1.19 Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e.

repairs and maintenance) is charged as an expense when it is incurred. There is a de minimis level of £10,000, however where the cumulative value of individual assets is greater than £10,000 and they meet the criteria for recognition they will be capitalised.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

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

Components

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

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

This policy has been applied prospectively when non-current assets have been revalued and will be considered only for new revaluations carried out after 1st April 2011 and when enhancement and/or acquisition expenditure is incurred after that date. The only assets that have been split into components in the 2011/12 accounts are offices and leisure centres.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where there is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for:

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

Depreciation

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

Depreciation is calculated as follows:

Asset Type	**Depreciation basis**	**Useful Economic Life**
Operational Buildings	Straight-line allocation over the estimated life of the building or component where identified separately	5 years to 45 years
Vehicles, Plant, Furniture & Equipment	Straight line allocation over the estimated life of the asset	1 year to 48 years
Infrastructure		3 years to 44 years

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

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

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

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement and a reliable estimate of the obligation can be made. Provisions are debited to the Comprehensive Income and Expenditure Statement and are measured at the best estimate of the expenditure that is likely to be required. When payments are made they are charged to the provision.

Contingent Liabilities

A contingent liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated. The liability is disclosed in a contingent liability as a note to the accounts. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent Assets

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

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

1.21 Reserves

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

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

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

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

- Pensions Reserve – balancing account to allow the pensions liability to be included in the balance sheet.
- Accumulated Compensated Absences Adjustment Account – the value of untaken leave and other employee benefits.

1.22 Revenue Expenditure funded from Capital under Statute

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

1.23 Value Added Tax

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

2. First time adoption of accounting standards and other new requirements

Heritage Assets

The Council has adopted FRS 30, Heritage Assets and they are recognised as a separate class of asset in the Balance Sheet. Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held principally for their contribution to knowledge and culture. However there is only one asset which is the Norman Cross Memorial Eagle 1914; it is valued at the insurance value of £65k as it was considered that obtaining a professional valuation would not enhance the understanding of the accounts.

This asset was not included in the assets of the Council in previous years and has been recognised in the 2011/12 Balance Sheet by a credit to the Revaluation Reserve. The asset value has not been adjusted for depreciation or impairment losses.

This asset is adjacent to a highway and therefore there is no limit on public access.

The 2010/11 comparative has not been restated as the overall amount for Heritage Assets is not material.

Carbon Reduction Commitment

The Council has no carbon reduction commitment obligations to report in the accounts.

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

The only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). This will apply for 2012/13 but the Council does not hold any relevant assets.

4. Critical Judgements in Applying Accounting Policies

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

5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	Property is revalued on a 5 yearly basis. For the intervening years, the Council's valuers undertake, on an annual basis, • an analytical review of all assets to see if the principal valuation indexes show a material change in the current assets valuation. • a revaluation of those assets that have had significant capital expenditure within the year. In addition, an annual impairment review is undertaken to determine if any of the Council's assets have been impaired.	72% of the council's assets are valued at fair value, so the impact of changes in market value could be significant. If there was a 1% fall in market value, it is estimated that the value of the Council's property assets would reduce by £362k. If an asset is impaired then the carrying value will be reduced. However, it is not possible to supply an estimate of the likely impact of impairment as this is determined by non-market valuation events.
Investment Properties	Investment Properties are valued on an annual basis and are valued at fair value.	It is estimated that a 1% fall in market value would reduce the value of the council's investment properties by £185k.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The Government is also intending to make changes to the Local Government Pension Scheme.	The effects on the net pensions liability of changes in individual assumptions, as provided by the actuary, can be measured. For instance: • A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 10% or £12,930k. • A 1 year increase in life expectancy would result in an increase in pension liability of 3% or £3,973k. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £3,596k • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 7% or £9,235k

Sundry Debt Arrears	At 31 March 2012, the Council had a balance of sundry debtors of £942k. If the provision rates had been applied consistently in the current year in comparison to previous years the Bad Debts Provisions would have been £286k; however, considering the current "recessional" economic climate it has been considered not to be appropriate to reduce the provision from the 2010/11 Bad Debts Provision of £339k; consequently it has remained at this level for 2011/12.	If the Bad Debt Provision rates applied for Sundry Debt Arrears were doubled, this would have increased the Provision to £352k, an increase of only £13k.

6. Material Items of Income and Expenditure

There are no material items of income and expenditure not disclosed in the Comprehensive Income and Expenditure Statement.

7. Events after the Balance Sheet Date

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

8. Adjustments between accounting basis and funding basis under regulations

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

2011/12

	Useable Reserves			
	General Fund balance	**Capital receipts reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-3,265	0	0	3,265
Revaluation Gains/-Losses on Property, Plant & Equipment	-639	0	0	639
Amortisation of intangible fixed assets	-616	0	0	616
Fair value of investment properties	-723	0	0	723
Net Revenue expenditure funded from capital under statute	-2,237	0	0	2,237
Net carrying amount of non-current assets sold	-176	0	0	176
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	1,378	0	0	-1,378
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	628	0	0	-628
Lease adjustment	-24	0	0	24
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	1,164	0	-1,164
Proceeds of sale of non-current assets	565	-565	0	0
Repayment of loan	-18	-600	0	618
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-3	3	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-14	0	0	14
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 5 of Pension Fund)	-4,720	0	0	4,720
Employer's pensions contributions and direct payments to pensioners payable in the year	3,879	0	0	-3,879
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-44	0	0	44
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	0	0	66	-66
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	26	0	0	-26
Total Adjustments	**-6,003**	**2**	**66**	**5,935**

2010/11 Comparative Figures

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

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet General Fund and capital expenditure.

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

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

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

The Special Reserve is to fund expenditure that will result in revenue savings in the future. The £100k used in 2011/12 funded redundancy costs.

The government grants reserve is for grants paid in 2011/12 that relate to 2012/13; it includes the new homes bonus grant of £155k.

The most significant items in "Other reserves" are the building control reserve (£71k), home improvement agency reserve (£204k) and the Housing Association footpaths reserve (£39k).

	Balance 1.4.10 £000	Transfers in £000	Transfers out £000	Balance 31.3.11 £000	Transfers in £000	Transfers out £000	Balance 31.3.12 £000
S106 agreements	-1,251	-450	315	-1,386	-774	863	-1,297
Commuted S106 payments	-1,139	-1	116	-1,024	-527	109	-1,442
Repairs and renewals funds	-1,180	-271	572	-879	-344	239	-984
Delayed projects	-370	-559	370	-559	-749	559	-749
Special reserve	-1,913	0	1,553	-360	0	100	-260
Government grants with no conditions	0	0	0	0	-166	0	-166
Other reserves	-284	-29	41	-272	-87	24	-335
Total	**-6,137**	**-1,310**	**2,967**	**-4,480**	**-2,647**	**1,894**	**-5,233**

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

	2011/12 £000	2010/11 £000
Parish Council precepts	4,533	4,188
Drainage board levies	379	0
Payments to the Government housing capital receipts pool	3	2
Gains (-)/losses on the disposal of non current assets	-403	-220
Total	**4,512**	**3,970**

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

	2011/12 £000	2010/11 £000
Interest payable and similar charges	414	448
Pensions interest cost and expected return on pensions assets	1,211	1,885
Interest receivable	-598	-750
Income and expenditure in relation to investment properties and changes in their fair value	110	-478
Other investment income from trading operations	-57	-5
Total	**1,080**	**1,100**

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

	2011/12 £000	2010/11 £000
Council tax income	-11,977	-11,532
Non domestic rates	-8,038	-11,299
Non-ringfenced government grants	-3,655	-1,736
Capital grants	-914	-1,306
Total	**-24,584**	**-25,873**

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

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

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

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

2011/12	**Environ-mental Services**	**Community Services**	**Housing Services**	**Corporate Services**	**Direct costs recharged to services**	**Other expenditure**	**TOTAL**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other income	-1,570	-6,483	-1,338	-688	-260	-6,985	-17,324
Government grants	-167	-215	-34,958	-8,727	-25	-897	-44,989
Total income	**-1,737**	**-6,698**	**-36,296**	**-9,415**	**-285**	**-7,882**	**-62,313**
Employee expenses	2,695	4,964	168	556	15,609	1,299	25,291
Other service expenses	2,917	4,880	36,720	9,123	3,790	-1,002	56,428
Support service recharges	3,342	2,983	3,617	4,415	8,813	4,882	28,052
Total operating expenses	**8,954**	**12,827**	**40,505**	**14,094**	**28,212**	**5,179**	**109,771**
Recharges to other accounts	-130	-34	48	-58	-27,985	605	-27,554
Net expenditure	**7,087**	**6,095**	**4,257**	**4,621**	**-58**	**-2,098**	**19,904**

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

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

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

2010/11		**2011/12**
£000		**£000**
23,492	**Net expenditure in service analysis**	**19,904**
-14,359	Amounts in the Comprehensive Income and Expenditure Statement not included in the service analysis of revenue expenditure for budget monitoring	-1,311
8,136	Amounts included in the service analysis of revenue expenditure and reported to management, but not included in net cost of services section of the Comprehensive Income and Expenditure Statement	6,617
17,269	**Net cost of services in Comprehensive Income and Expenditure Account**	**25,210**

Reconciliation to Subjective Analysis

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

2011/12	Service Analysis	Not reported to management	Not included in cost of services	Net cost of services	Corporate amounts	TOTAL
	£000	£000	£000	£000	£000	£000
Fees, charges and other income	-17,324	23	769	**-16,532**	-1,155	**-17,687**
Interest and investment income	0	0	588	**588**	-598	**-10**
Income from council tax	0	0	0	**0**	-11,977	**-11,977**
Government grants and contributions	-44,989	0	0	**-44,989**	-12,607	**-57,596**
Total income	**-62,313**	**23**	**1,357**	**-60,933**	**-26,337**	**-87,270**
Employee expenses	25,291	-370	0	**24,921**	1,211	**26,132**
Other operating expenses	56,428	-964	-458	**55,006**	1,208	**56,214**
Support service recharges	28,052	0	0	**28,052**	0	**28,052**
Recharges to other accounts	-27,554	0	0	**-27,554**	0	**-27,554**
Depreciation and impairment	0	0	6,141	**6,141**	0	**6,141**
Interest payments	0	0	-414	**-414**	414	**0**
Precepts and levies	0	0	-379	**-379**	4,912	**4,533**
Payments to housing capital receipts pool	0	0	0	**0**	3	**3**
Gain or loss on disposal of property, plant and equipment	0	0	370	**370**	-403	**-33**
Total operating expenses	**82,217**	**-1,334**	**5,260**	**86,143**	**7,345**	**93,488**
Surplus (-) or deficit on the provision of services	**19,904**	**-1,311**	**6,617**	**25,210**	**-18,992**	**6,218**

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

14. Grant Income

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

	2011/12	2010/11
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue support grant	2,484	1,641
Distributed non domestic rate pool	8,038	11,299
Area based grants	0	95
Total	**10,522**	**13,035**
Credited to Services		
Benefits grant		
Rent allowances	33,528	31,473
Council tax benefits	8,019	7,926
Benefits administration	1,020	1,142
Concessionary fares	0	478
Improvement grants	502	532
Other	1,680	787
Total	**44,749**	**42,338**

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

Grants Receipts in Advance	2011/12	2010/11
	£000	£000
Government grants		
Mobile Home Park	71	71
Mortgage Rescue Scheme	52	52
Housing	14	42
Travellers implementation grant	8	8
	145	**173**

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

Capital Grants Unapplied Account	2011/12	2010/11
	£000	£000
Government grant for housing	210	239
Contribution from Cambridgeshire County Council towards major maintenance projects at leisure centres	318	318
Energy efficiency grant	0	37
	528	**594**

15. Property, Plant and Equipment

Movements in 2011/12	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2011	**37,594**	**13,021**	**10,484**	**1,406**	**661**	**63,166**
Additions in year	1,893	1,773	58	0	307	**4,031**
Revaluation increases and decreases recognised in the Revaluation Reserve	6	0	0	0	0	**6**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	-359	0	0	0	-10	**-369**
Non-enhancing capital expenditure (*)	-656	0	0	0	0	**-656**
Reclassifications of assets	203	2	31	0	-236	**0**
Transfer to other types of assets	-600				-136	**-736**
Adjustment for disposal	-155	-119	0	0	0	**-274**
At 31 March 2012	**37,926**	**14,677**	**10,573**	**1,406**	**586**	**65,168**
Accumulated Depreciation	**-709**	**-4,975**	**-1,718**	**0**	**0**	**-7,402**
At 1 April 2011						
Depreciation charged in year	-1,190	-1,586	-489	0	0	**-3,265**
Depreciation written out to revaluation reserve	135	0	0	0	0	**135**
Depreciation written out to Comprehensive Income and Expenditure Statement	386	0	0	0	0	**386**
Transfer to other types of assets	45	0	0	0	0	**45**
Adjustment for disposal	13	85	0	0	0	**98**
At 31 March 2012	**-1,320**	**-6,476**	**-2,207**	**0**	**0**	**-10,003**
Net Book Value						
At 31 March 2012	**36,606**	**8,201**	**8,366**	**1,406**	**586**	**55,165**
At 31 March 2011	**36,885**	**8,046**	**8,766**	**1,406**	**661**	**55,764**

***** This expenditure relates to capital works at the St. Ives Leisure Centre that was required as part of its refurbishment and redevelopment. This capital enhancement has not added to the value of the asset but will ensure improvements in Leisure Services to the area.

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

Capital Commitments

As at 31 March 2012 the Council was contractually committed to capital works valued at approximately £0.4m. Similar commitments at 31 March 2011 were £1.9m.

The main schemes are Disabled Facilities Grants £0.3m, Multi-Storey Car Park £0.1m.

Revaluations

Land and buildings

These assets are held at current value (fair value) and were revalued as at 1 April 2009. Revaluations are generally made every five years except where there has been significant work on the properties. In addition, as at the:

- 31st March 2012, those assets that had had significant capital expenditure within the year were revalued.
- 31st March 2011, the administrative buildings were valued to ascertain the value of individual components.

.The valuations were carried out externally and independently by MG Storey FRICS (Fellow, Royal Institution of Chartered Surveyors) and MJ Beardall BLE (Hons) MRICS (Member, Royal Institution of Chartered Surveyors) of Barker Storey Matthews.

The specific assumptions applied in estimating fair values in respect of Land and Buildings by the Council's valuer were as follows:

- The updated valuations have been prepared in accordance with the publication Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (2012 edition). In particular reference was made to Appendix 5 – Valuation of Local Authority Assets.

- The valuation of fair value has been calculated either by reference to market comparable evidence or where market evidence is unavailable due to the nature of the property; a depreciated replacement cost (DRC) method has been used. The build cost for DRC purposes has been calculated using the Building Cost Information Service (BCIS) quarterly review of building prices.

- No adjustments have taken place for changes in value which may have taken place since the valuation date or for prospects of future growth.

- It has been assumed that there are no unusual or especially onerous restrictions, encumbrances or outgoings and that a good title can be shown. Also that the valuation would not be affected, by any matter that would be revealed by a local search.

- The properties have been assumed to be in reasonable tenantable condition, with no particular works being required that would prejudice a sale or the fair value of the property, the properties have been assumed to be in a good state of repair.

- No investigation has been made to determine whether or not any deleterious or hazardous material has been used in the construction of the properties or has since been incorporated. It has therefore been assumed in valuing the properties that such investigations would not disclose the presence of any such materials.

- It has been assumed that the properties are not situated in areas prone to flooding.

- It has been assumed that there is no contamination affecting the properties or those neighbouring it.

Following a discussion with the aforementioned valuer, a table-top review was undertaken by the valuer and it was determined that there were no further valuation adjustments for 2011/12 other than those that the valuer had previously reported on.

Vehicles, Plant, Furniture and Equipment, Infrastructure and Community Assets

These assets are valued at historic cost based on date of acquisition and subsequent capital enhancement; consequently there is no ongoing revaluation review for these assets.

Revaluation Profile	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at Historical Cost	0	8,201	0	8,201
Valued at Fair Value as at:				
31 March 2012	8,672	0	0	8,672
31 March 2011	17,487	0	0	17,487
31 March 2010	867	0	0	867
31 March 2009	9,174	0	0	9,174
Total Cost or Valuation	**36,200**	**8,201**	**0**	**44,401**

16. Investment Property

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement as financing and investment income and expenditure. The operating expenses in 2011/12 are much less than in the previous year as 2010/11 included capital impairments of £890k

	2011/12	2010/11
	£000	£000
Rental income from investment property	-956	-924
Direct operating expenses arising from investment property	334	1,144
Net gain/(loss)	**-622**	**220**

The movement in investment properties balances during the year are shown below.

	2011/12	2010/11
	£000	£000
Balance at start of the year	**19,227**	**18,093**
Additions in year	0	836
Net gain/loss for fair value	-723	-251
Transfers and reclassifications	0	549
Balance at end of the year	**18,504**	**19,227**

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

17. Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £616k charged to revenue in 2011/12 was charged to the Information Management Division and then absorbed as an overhead across all the service headings in the Net Expenditure of Services or direct to services.

Capital Commitments
As at 31 March 2012 the Council was contractually committed to capital works valued at approximately £1k. There were not similar commitments at 31 March 2011.

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

	2011/12	2010/11
	Total £000	**Total £000**
Balance at start of year:		
Gross carrying amounts	4,458	4,120
Accumulated amortisation	-2,861	-2,303
Net carrying amount at start of year	**1,597**	**1,817**
Additions	541	338
Assets transferred from assets under construction	94	0
Amortisation for the period	-616	-558
Net carrying amount at end of year	**1,616**	**1,597**
Gross carrying amounts	5,093	4,458
Accumulated amortisation	-3,477	-2,861
Net carrying amount at end of year	**1,616**	**1,597**

18. Capital Expenditure and Capital Financing

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

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	**18,240**	**11,231**
Property, Plant and Equipment	4,031	5,338
Investment Properties	0	836
Intangible Assets	541	338
Revenue Expenditure Funded from Capital under Statute	3,769	2,954
Repayable Advances	59	91
Lease Liability Adjustment	24	0
Additional Requirement	**8,424**	**9,557**
Sources of finance		
Capital receipts	-1,164	-251
Grants and other contributions in year	-2,518	-1,722
Capital Grants Unapplied Reserve	-66	0
Minimum revenue provision	-628	-260
S106 reserve	-435	-315
	-4,811	**-2,548**
Closing Capital Finance Requirement	**21,853**	**18,240**
Movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	3,613	7,009

19. Financial instruments

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

	Long-term		Current	
	31/03/12 £000	**31/03/11 £000**	**31/03/12 £000**	**31/03/11 £000**
Investments				
Loans and receivables	5,795	11,013	5,771	5,007
Total investments	**5,795**	**11,013**	**5,771**	**5,007**
Debtors				
Loans and receivables	961	1,509	4,264	5,644
Total Debtors	**961**	**1,509**	**4,264**	**5,644**
Borrowings				
Financial liabilities at amortised cost	-10,000	-10,000	-4,611	-3,211
Total borrowings	**-10,000**	**-10,000**	**-4,611**	**-3,211**
Creditors				
Financial liabilities at amortised cost	0	0	-4,283	-8,074
Total creditors	**0**	**0**	**-4,283**	**-8,074**

Gains and losses on income and expense

	2011/12		2010/11	
	Financial Liabilities	**Financial Assets**	**Financial Liabilities**	**Financial Assets**
	Liabilities measured at amortised cost	**Loans and receivables**	**Liabilities measured at amortised cost**	**Loans and receivables**
	£000	**£000**	**£000**	**£000**
Interest expense	414	0	448	0
Interest income	0	-598	0	-750
Net gain/(loss) for the year	**414**	**-598**	**448**	**-750**

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

- An estimated interest rate based on 10 year PWLB rates with a range of 3.36% to 5.15%, depending on the relevant year, has been used to calculate the fair value of private sector housing improvements loans (£645k, 2011/12; £609k, 2010/11).
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of debtors is taken to be the invoiced or billed amount.

	2011/12		2010/11	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Liabilities				
Financial liabilities	-19,214	-20,979	-21,285	-21,029
Assets				
Loans and receivables	16,791	16,966	23,173	23,258

The Financial Liabilities are shown below:

Financial Instrument	2011/12 Carrying amount £000	2010/11 Carrying amount £000	Details
Long Term			
PWLB (3.91%)	-5,000	-5,000	3.91% Fixed; 19 December 2008 to 19 December 2057
PWLB (3.90%)	-5,000	-5,000	3.90% Fixed; 19 December 2008 to 19 December 2058
Accrued Interest	-110	-110	
	-10,110	**-10,110**	
Short Term			
Coventry Building Society	0	-3,000	0.62%; 22 March 2011 to 15 April 2011
Brampton Parish Council	0	-100	0.50%; 1 April 2011 to 1 June 2011
Coventry City Council	-2,000	0	0.30%; 19 March 2012 to 18 April 2012
Shropshire Council	-2,500	0	0.50%; 14 March 2012 to 20 April 2012
Accrued Interest	-1	-1	
	-4,501	**-3,101**	
Creditors	**-4,283**	**-8,074**	
Bank Overdraft	**-320**	**0**	
	-19,214	**-21,285**	

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

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

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

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

20. Inventories

The main items in 'other inventories' are refuse sacks (£20k), printing stock (£14k) and uniforms (£8k).

	Leisure Centres		Diesel		Other		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	**79**	**55**	**41**	**37**	**87**	**97**	**207**	**189**
Purchases	0	0	656	628	14	58	670	686
Recognised as an expense in the year	0	0	-658	-622	-34	-42	-692	-664
Stock adjustment	10	24	-6	-2	-2	0	2	22
Written off balances	0	0	0	0	-2	-26	-2	-26
Balance outstanding at year-end	**89**	**79**	**33**	**41**	**63**	**87**	**185**	**207**

21. Debtors

	Short Term Debtors	
	2011/12	2010/11
	£000	£000
Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	1,822	1,805
Other Local Authorities	199	1,016
Other entities and individuals	4,692	4,671
Bad debt provision (Impairment of loans and receivables)	-1,909	-1,848
Total	**4,804**	**5,644**

22. Cash and Cash Equivalents

	2011/12 £000	2010/11 £000
Cash held by the Council	7	10
Bank balances	1,389	1,453
Bank current accounts (overdraft)	-1,716	-1,666
Net Total Cash and Cash Equivalents	**-320**	**-203**

23. Short-Term Creditors

Short-term Creditors	2011/12 £000	2010/11 £000
Central government bodies – Her Majesty's Revenue and Customs, and Community and Local Government	838	844
Other local authorities	3,450	3,667
Other entities and individuals	812	3,563
Total	**5,100**	**8,074**

24. Other long-term liabilities

	2011/12 £000	2010/11 £000
Pension scheme liability	51,341	41,437
Other	816	735
Total	**52,157**	**42,172**

25. Assets Held for Sale

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

	2011/12 £000	2010/11 £000
Site of former St Neots fire station and Depot	250	250
Castle Hill House	555	0
Total	**805**	**250**

26. Usable Reserves

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

27. Unusable Reserves

	2011/12 £000	2010/11 £000
Capital Adjustment Account	-48,191	-53,002
Revaluation Reserve	-6,436	-6,481
Financial Instruments Adjustment Account	221	207
Pensions Reserve	51,341	41,437
Collection Fund Adjustment Account	-62	-106
Accumulating Compensated Absences Adjustment Account	319	345
Total Unusable Reserves	**-2,808**	**-17,600**

Capital Adjustment Account

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

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

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

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

Capital Adjustment Account	2011/12		2010/11	
	£000	£000	£000	£000
Balance at 1 April		**-53,002**		**-58,361**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	3,265		3,027	
Revaluation losses on Property, Plant and Equipment	639		1,484	
Amortisation of intangible assets	616		558	
Revenue expenditure funded from capital under statute	2,237		2,229	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	176		33	
Adjusting amounts written out of the Revaluation Reserve	-251		-401	
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-1,164		-251	
Use of the earmarked S106 reserve	-435		-315	
Application of grants to finance capital expenditure	-1,009		-996	
Statutory provision for the financing of capital investment charged against the General Fund	-628		-236	
Repayment of long term debtors	618		0	
Lease Adjustment	24		0	
Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	723		227	
Total movements		**4,811**		**5,359**
Balance at 31 March		**-48,191**		**-53,002**

Revaluation Reserve

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

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

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

Revaluation Reserve	**2011/12** £000	**2010/11** £000
Balance at 1 April	**-6,481**	**-5,976**
Upward revaluation of assets	-206	-1,760
Downward revaluation of assets not charged to the surplus/deficit on the provision of services	0	854
Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	251	309
Other adjustments for assets removed or transferred - written off to Capital Adjustments Account	0	92
Balance at 31 March	**-6,436**	**-6,481**

Financial Instruments Adjustment Account

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

Financial Instruments Adjustment Account	**2011/12** £000	**2010/11** £000
Balance at 1 April	**207**	**199**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	14	8
Balance at 31 March	**221**	**207**

Pensions Reserve

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

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

Further information is found in the section on Pension Fund Disclosures.

Pensions Reserve	**2011/12 £000**	**2010/11 £000**
Balance at 1 April	**41,437**	**68,047**
Actuarial (-) gains or losses on pensions assets and liabilities	9,063	-14,126
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,720	-8,743
Employer's pensions contributions and direct payments to pensioners payable in the year	-3,879	-3,741
Balance at 31 March	**51,341**	**41,437**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as it relates to 2011/12 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

Collection Fund Adjustment Account	**2011/12 £000**	**2010/11 £000**
Balance at 1 April	**-106**	**-1**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	44	-105
Balance at 31 March	**-62**	**-106**

Accumulating Compensated Absences Adjustment Account

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

Accumulating Compensated Absences Adjustment Account	**2011/12 £000**	**2010/11 £000**
Balance at 1 April	**345**	**354**
Settlement or cancellation of accrual made at the end of the preceding year	-345	-354
Amounts accrued at the end of the current year	319	345
Balance at 31 March	**319**	**345**

28. Leases

<u>Council as Lessee</u>

Finance Leases

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

	31 March 2012 £000	**31 March 2011 £000**
Investment properties	1,615	1,635

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

	31 March 2012 £000	**31 March 2011 £000**
Finance lease liabilities (net present value of minimum lease payments)		
Current	11	10
Non-current	545	556
Finance costs payable in future years	3,105	3,146
Minimum lease payments	**3,661**	**3,712**

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

	Minimum lease payments		**Finance lease payments**	
	31 March 2012 £000	**31 March 2011 £000**	**31 March 2012 £000**	**31 March 2011 £000**
Not later than 1 year	50	51	11	10
Later than 1 year and not later than 5 years	156	167	0	11
Later than 5 years	3,455	3,494	545	545
	3,661	**3,712**	**556**	**566**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £94k contingent rents were payable by the Council (2010/11 £94k).

Operating Leases

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

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

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	As at 31 March 2012 £000	**As at 31 March 2011 £000**
Not later than 1 year	100	116
Later than 1 year and not later than 5 years	90	165
Later than 5 years	51	63
	241	**344**

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

	2011/12 £000	**2010/11 £000**
Minimum lease payments	93	117

Service Concessions

The Council does not have any contracts that include service concessions

Council as Lessor

Finance leases

The Council has no finance leases as lessor.

Operating Leases

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

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

	As at 31 March 2012 £000	As at 31 March 2011 £000
Not later than 1 year	673	634
Later than 1 year and not later than 5 years	1,591	1,583
Later than 5 years	1,805	2,052
	4,069	**4,269**

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

29. Impairment Losses

During 2011/12 the Council has not recognised any Impairments to Property, Plant and Equipment (Nil, 2010/11).

30. Cash Flow Statement – Operating Activities

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

	2011/12 £000	2010/11 £000
Interest received	-598	-750
Interest paid	414	448

31. Cash Flow Statement – Investing Activities

	2011/12 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	-9,275	-7,933
Other payments for investing activities	-59	-107
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,162	253
Proceeds from short-term and long-term investments	4,440	5,000
Other receipts from investing activities	3,486	1,868
Net cash flows from investing activities	**-246**	**-919**

32. Cash Flow Statement – Financing Activities

	2011/12	2010/11
	£000	£000
Other receipts from financing activities	910	4,491
Movement on short-term borrowing	1,413	-1,499
Net cash flows from financing activities	**2,323**	**2,992**

33. Trading Operations

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

	2011/12			2010/11		
	Expenditure	Income	Surplus (-) /Deficit	Expenditure	Turnover	Surplus (-) /Deficit
	£000	£000	£000	£000	£000	£000
Markets						
Huntingdon	12	-34	-22	19	-40	-21
Ramsey	4	-3	1	5	-4	1
St Ives	30	-108	-78	44	-117	-73
Management	50	0	50	88	0	88
IT software	45	-53	-8	19	-19	0
Total	**141**	**-198**	**-57**	**175**	**-180**	**-5**

34. Related Parties

The Council must disclose in the accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently.

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

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in note 35. Some elected members are also members of other bodies – the most common being the County Council and Parish and Town Councils and Drainage Boards.

The Council has a significant operational relationship with Cambridgeshire County Council. The County Council is the administering authority for the Council's pension fund and many of the Councils services work with County Council services on a day-to-day basis e.g. the Council is the statutory waste collection authority whereas the County Council is the statutory waste disposal authority but each of the Councils has to pay the other in respect of certain types of waste . For 2011/12, the Council has paid £6,008k to Cambridgeshire County Council (£4,178k for pension payments and £1,830k for services) and received £1,673k from the County Council (£6,545k paid to and £2,847k received from the County Council; 2010/11).

In respect of 2011/12, no officers have disclosed any significant interests. With regard to members, Councillors Baker, Downes and Dutton have disclosed either individual or family interests in the organisations shown below. With regard to these organisations, the Council has either procured goods or services or provided funding that has supported them in providing their core services. The items disclosed are in the normal course of business and are at arm's length.

Councillor	**Organisation**	**£000**
Baker	Huntingdonshire Volunteer Centre	51
	Nene & Ouse Community Transport	56
Downes and Dutton	Citizens Advice Bureau	163

35. Members' Allowances

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

	2011/12 £000	**2010/11 £000**
Allowances	370	403
Expenses	29	39
	399	**442**

36. Officers' Remuneration

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

	2011/12	2010/11
£50,000 - <£55,000	18	21
£55,000 - <£60,000	1	1
£60,000 - <£65,000	2	4
£65,000 - <£70,000	3	3
£70,000 - <£75,000	6	5
£75,000 - <£80,000	2	3
£80,000 - <£85,000	1	0
£85,000 - <£90,000	0	1
£95,000 - <£100,000	0	1
£100,000 - <£105,000	0	2
£110,000 - <£115,000	0	1
£120,000 - <£125,000	2	0
£125,000 - <£130,000	1	0
£140,000 - <£145,000	0	1
£165,000 - <£170,000	0	1
£220,000 - <£225,000	1	0
Total	**37**	**44**

Remuneration of Senior Employees

2011/12	Salary including allowances	Termination costs	Salary including allowances and fees	Bonus	Benefits in kind	Total remuneration	Employer pension contributions	Remuneration including pension contributions
Post holder	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive (David Monks) (2)	71,371	140,417	**211,788**	7,500	4,762	**224,050**	11,073	**235,123**
Director of Central Services (3)	72,738	47,223	**119,961**	0	3,925	**123,886**	11,013	**134,899**
Managing Director, Resources (4)	121,739	0	**121,739**	0	1,062	**122,801**	20,647	**143,448**
Managing Director, Communities, Partnerships and Projects (4)	120,081	0	**120,081**	0	6,236	**126,317**	21,274	**147,591**

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

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

Note 1 The election fees do not include fees for General, European and County Council elections paid for by third parties.
Note 2 The Chief Executive left the Authority on 31 August 2011.
Note 3 The Director of Central Services left the Authority on 6 December 2011.
Note 4 The two Managing Director posts were created on the 1st June 2012.

37. External Audit Related Costs

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

	2011/12	2010/11
	£000	£000
External audit	176	118
Grant claim certification	30	37
National Fraud Initiative	0	1
	206	**156**

Of the £176k External Audit costs noted within 2011/12, £56k is in respect of 2010/11.

38. Termination Benefits and Exit Packages

Voluntary Redundancy:
In respect of:

- 2010/11, the Council approved the voluntary redundancy of 58 employees; however, 30 employees left the Council during 2010/11 and a further 27 left during 2011/12. The one remaining post was reinstated.
- 2011/12, no voluntary redundancies were approved.

Compulsory Redundancy:
In respect of:

- 2010/11, the Council approved the compulsory redundancy of 2 employees and both employees left the Council.
- 2011/12, the Council approved the compulsory redundancy of 12 employees; 10 employees leaving the Council during 2011/12 and a further 2 leaving during 2012/13.

For both Voluntary and Compulsory Redundancy, the associated costs have been debited to the year in which the decision was made. The following table shows the banding of employee terminations and the total cost to the Council per band.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages agreed		Total cost of packages	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
							£000	£000
£0 - <£20,000	8	1	0	26	8	27	97	191
£20,000 - <£40,000	2	1	0	20	2	21	49	629
£40,000 - <£60,000	2	0	0	6	2	6	88	270
£60,000 - <£80,000	0	0	0	3	0	3	0	202
£80,000 - <£100,000	0	0	0	1	0	1	0	90
£140,000 - <£160,000	0	0	0	1	0	1	0	140
	12	**2**	**0**	**57**	**12**	**59**	**234**	**1,522**

39. Contingent Assets

Claims have been made for the refund of VAT relating to off-street parking since 1998, but whilst legal cases have not totally removed the possibility of a refund the position is now much less hopeful. The claim is for £2,144k.

40. Contingent Liabilities

At 31 March 2012 the Council had the following contingent liabilities:

1. Under the Environmental Information Regulations the Council is no longer entitled to charge for personal inspection of the Local Land Charges Register. A test case has been commenced against a number of local authorities in respect of fees previously charged under legislation passed by Central Government, but these proceedings are being defended. If a claim is made against Huntingdonshire District Council by a personal search company, then in the absence of any judgement confirming the liability of local authorities for repayment of personal search fees, the Council will contest any such claim. The Council estimates that it has received in the region of £150k for personal searches for the period from 1 January 2005 to 17 August 2010.
2. The Council has agreed to paying disabled facilities grants of £312k but the schemes have not yet started. The expense will only be incurred if the householders carry out the home alterations.
3. The Secretary of State’s decision respect of the former RAF Upwood planning appeal is subject to an on-going judicial review process which may require the appeal to be reconsidered. If that is the case the Council may need to fund specialist services at an estimated cost of £200k.
4. The Council’s insurer was MMI until 1993 and it is still liable for claims relating to the period when it insured the Council. The Council has entered a Scheme of Arrangement whereby MMI could claw back the claims payments made since 30 September 1993, should MMI become insolvent. As at 31 March 2011 the maximum clawback is £601k**.** In 2011 a Supreme Court decision that MMI is responsible for the payment of an insurance claim relating to an agreed negligence claim from an ex-employee has increased the likelihood that the clawback scheme will be invoked.
5. The Environmental Protection Act 1990 Part IIA makes the Council liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. It is not yet clear whether any financial liability will fall on the Council. The costs cannot be quantified but are unlikely to be material.
6. Following the transfer of the Council’s housing stock to Huntingdonshire Housing Partnership in 2000 the Council bears continuing unlimited liability in respect of environmental pollution arising on the land transferred, though an insurance policy is in place to cover the majority of any liability. The costs cannot be quantified but are unlikely to be material.
7. The Council has some impending employment tribunals and if the Council loses there could be a liability of up to £200k.

41. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team with due regard to the Annual Treasury Management Strategy approved by the Council.

Credit risk

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £16,020k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. The risk of not being able to recover the principal sums applies to all of the Council's deposits but there was no evidence as at 31 March 2012 that this was likely to occur and there are no investments that as at 31 March 2012 were with institutions that had failed.

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

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables, based on historical experience of default and uncollectability. It relates to the sundry debtors element of the total debtors, including debts of individuals, entities and housing benefit claimants.

	Amount at 31 March 2012	Historical experience of default	Historical experience of default adjusted for market conditions	Impairment allowance 31 March 2012	Impairment allowance 31 March 2011
	£000	%	%	£000	£000
Sundry debtors	2,562	4.5%	4.5%	1,688	1,643

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

	31/03/12 £000	31/03/11 £000
Less than three months	737	749
Three to six months	177	217
Six months to one year	332	334
More than one year	1,316	1,326
	2,562	**2,626**

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

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

	31/03/12	31/03/11
	£000	£000
Less than one year	4,611	3,211
More than one year	10,000	10,000
	14,611	**13,211**

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

Market risk – interest rate risk
The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

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

However the impact on the Surplus or Deficit on the Provision of Services is reduced because the Council does not generally borrow or invest at variable rates. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

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

If in 2011/12 interest rates on all of its investments and borrowings had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings of less than 1 year	0
Increase in interest receivable on investments of less than 1 year	101cr
Impact on the surplus on the Provision of Services	101cr
Increase in the fair value of fixed rate investments	438cr
Impact on Other Comprehensive Income and Expenditure	438cr
Decrease in fair value of fixed rate borrowings (No impact on the Comprehensive Income and Expenditure Statement)	2,283

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

Price risk and foreign exchange risk

The Council does not hold either equity shares or foreign currency; consequently these risks are not applicable.

Collection Fund

2010/11			2011/12	
£000	£000		£000	£000
		INCOME		
-79,013		Council Tax before transfers	-80,506	
		Transfers from General Fund		
-7,859		- Council Tax benefits	-7,922	
0		- Transitional relief	0	
-50,869		Income from business ratepayers	-53,736	
-265		Contribution towards previous years Collection Fund deficit	0	
	-138,006			-142,164
		EXPENDITURE		
		Precepts and demands		
61,379		-Cambridgeshire County Council	62,301	
9,933		-Cambridgeshire Police Authority	10,082	
3,390		-Cambridgeshire Fire Authority	3,441	
7,274		-Huntingdonshire DC-General	7,383	
4,188		-Huntingdonshire DC-Parish Precepts	4,533	
		Business rate		
50,646		- Payment to national pool	53,513	
223		- Costs of collection	223	
		Bad and doubtful debts/appeals		
241		- Write-offs	185	
-58		- Change in impairment	55	
0		Contribution towards previous years estimated collection fund surplus	791	
	137,216			142,507
		MOVEMENT ON FUND BALANCE		
-7		Fund balance as at 1 April	-797	
-797		Fund balance as at 31 March	-454	
	-790	Movement on fund balance for year		343

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), Town and Parish Councils and NNDR for Central Government. The Council acts as agent when collecting tax for major preceptors.

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

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

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

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

4. Council tax

Taxbase at 31 March 2012				
Tax band	**Properties**	**Exemptions & discounts**	**Band D multiplier**	**Band D equivalent**
A	11,359	2,088	6/9	6,179
B	19,152	2,516	7/9	12,939
C	17,321	1,782	8/9	13,813
D	11,388	1,023	9/9	10,365
E	8,459	765	11/9	9,404
F	3,486	286	13/9	4,622
G	1,659	137	15/9	2,537
H	151	23	18/9	256
Total	**72,975**			**60,115**

Council tax charge per band D property for 2010/11 £1,470.87
Council tax charge per band D property for 2011/12 £1,475.62

5. National non domestic rates (NNDR)

The uniform business rate set by the Government for 2011/12 was 43.3p (2010/11 41.4p).

Total rateable value at 31 March 2011 £143.7m
Total rateable value at 31 March 2012 £142.9m

Pension Fund

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

1 Introduction

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

2 The Pension Scheme

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

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

3 Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.8% should be used to provide for future service liabilities together with a lump sum contribution to reduce the existing deficit relating to past service. The lump sums proposed were £451k for 2011/12, £456k for 2012/13, and £470k for 2013/14. The Council has chosen to make additional lump sum payments pending the results of any changes to the pension scheme that are determined by the Government. The additional payments are £209k (2011/12), £450k (2012/13) £669k (2013/14).

4. Transactions relating to Post-employment (Retirement) Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year

5. Comprehensive Income and Expenditure Statement

	2011/12 £000	2010/11 £000
Cost of Services:		
Current Service Cost	3,163	3,552
Past Service Gain	0	-14,209
Curtailments	346	29
Financing and Investment Income and Expenditure:		
Interest Cost	6,748	7,434
Expected Return on Scheme Assets	-5,537	-5,549
Total post employment benefit charged to the deficit on the provision of services	**4,720**	**-8,743**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses (-)	-9,063	14,126
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**-4,343**	**5,383**
Movement in Reserves Statement		
Reversal of net charges made to the deficit for the provision of services form post employment benefits in accordance with the Code	-4,720	8,743
Actual amount charged against the General Fund Balance for Pensions in the Year:	3,879	3,741
Employer's contributions payable to the scheme		
Total Movement in Reserves Statement	**-841**	**12,484**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £46,901k (loss of £37,838k; 2010/11).

6. Assets and Liabilities in relation to Post employment Benefits

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

	31 March 2012 £000	31 March 2011 £000
Opening balance as at 1 April	**123,552**	**146,133**
Current service cost	3,163	3,552
Interest Cost	6,748	7,434
Contributions by scheme participants	1,041	1,135
Actuarial losses / gains (-)	3,883	-15,910
Benefits paid	-6,099	-4,423
Estimated unfunded benefits paid *	-199	-189
Past service costs / gains(-)	0	-14,209
Curtailments	346	29
Closing balance at 31 March	**132,435**	**123,552**

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

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

	31 March 2012 £000	31 March 2011 £000
Opening balance 1 April	**82,115**	**78,086**
Expected rate of return	5,537	5,549
Actuarial gains / losses (-)	-5,180	-1,784
Contributions by the employer	3,680	3,552
Contributions by scheme participants	1,041	1,135
Contributions for unfunded benefits *	199	189
Benefits paid	-6,099	-4,423
Unfunded Benefits paid *	-199	-189
Closing balance at 31 March	**81,094**	**82,115**

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

The actual return on scheme assets in the year was £379k (2010/11 £5,009k).

7. Scheme History

	31/3/12 £000	31/3/11 £000	31/3/10 £000	31/3/09 £000	31/3/08 £000
Present value of liabilities	-132,435	-123,552	-146,133	-87,593	-89,097
Fair value of assets	81,094	82,115	78,086	57,877	70,441
Deficit in the scheme	**-51,341**	**-41,437**	**-68,047**	**-29,716**	**-18,656**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment benefits. The total liability of £132,435k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £51,341k. However the statutory arrangements for funding the deficit mean that the financial position of the Council remains sound:

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

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

The Council expects to contribute £3,141k into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2013. With regard to discretionary benefits, there were no such awards in 2011/12 (£6k; 2010/11).

8. Basis for estimating Liabilities and Assets

Liabilities, for the purposes of IAS 19, have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2010. The results of this valuation were projected forward using approximate methods.

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

County Fund – Main Assumptions		**2011/12**	**2010/11**
Rate of inflation of pensions		2.5%	2.8%
Rate of increase in salaries		4.8%	5.1%
Rate of increase in pensions		2.5%	2.8%
Rate of discounting scheme liabilities		4.8%	5.5%
Expected return on assets		5.6%	6.8%
Mortality			
Longevity at 65 for current pensioners			
Men		21.0 years	21.0 years
Women		23.8 years	23.8 years
Longevity at 65 for future pensioners			
Men		22.9 years	22.9 years
Women		25.7 years	25.7 years
Expected long-term rate of return on assets			
Equity Investments		6.3%	7.5%
Bonds		3.3%	4.9%
Property		4.4%	5.5%
Cash		3.5%	4.6%
Take-up option to convert pension into tax free lump sum up to HMRC limits	For pre-April 2008 service	25%	25%
	For post-April 2008 service	63%	63%

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

	Proportion of Total assets held by the Fund	
	31 March 2012	**31 March 2011**
Equity Investments	72%	73%
Bonds	14%	15%
Property	9%	8%
Cash	5%	4%
Total Fund Assets	**100%**	**100%**

9. History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets of liabilities at 31 March 2012.

	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Differences between expected and actual return on assets	-6.39%	-2.17%	19.57%	-31.85%	-15.08%
Experience gains/ losses (-) on liabilities	-1.10%	-1.54%	0.36%	-0.26%	-0.92%

10 Further information

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

GLOSSARY OF TERMS

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

Amortisation – the gradual write off of initial costs of assets

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

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

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

Capital Receipts – income received from selling non-current assets

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

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

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

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

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

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

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

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

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

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

Earmarked Reserves – money set aside for a specific purpose.

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

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

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

IFRS – international financial reporting standard

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

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

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

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

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

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

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

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

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

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

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

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

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